Twintek

TWINTEK INVESTMENT HOLDINGS LIMITED

乙德投資控股有限公司

ANNUAL REPORT 2019

(Incorporated in the Cayman Islands with limited liability) Stock Code : 6182

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Wing Cheung *(Chairman)*
Ms. Fung Pik Mei

Non-executive Director

Mr. Wan Ho Yin

Independent Non-executive Directors

Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

AUDIT COMMITTEE

Mr. Shu Wa Tung Laurence *(Chairman)*
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok
Mr. Wan Ho Yin

REMUNERATION COMMITTEE

Mr. Tam Wing Lok *(Chairman)*
Mr. Lo Wing Cheung
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor

NOMINATION COMMITTEE

Mr. Lo Wing Cheung *(Chairman)*
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

COMPANY SECRETARY

Mr. Chau Ka Ho
(resigned with effect from 1 April 2019)
Mr. Chau Wing Wo
(appointed with effect from 1 April 2019)

AUDITOR

SHINEWING (HK) CPA Limited

COMPLIANCE ADVISOR

Ample Capital Limited

AUTHORISED REPRESENTATIVES

Mr. Lo Wing Cheung
Ms. Fung Pik Mei

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO BOX 1093
Boundary Hall Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road
East Hong Kong

PRINCIPAL BANKERS

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

REGISTERED OFFICE

PO BOX 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 806, 8/F
Eastern Centre
1065 King's Road
Quarry Bay
Hong Kong

SHARE INFORMATION

Ordinary share listing

Place of listing	Main Board of The Stock Exchange of Hong Kong Limited
Stock code	06182
Board lot size	8,000 Shares

WEBSITE

www.kwantaieng.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I am pleased to present the annual results of Twintek Investment Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019 (the "**Year**").

The construction market in Hong Kong is largely influenced by macroeconomic conditions. Following the completion of several mega projects such as supply and installation of gypsum block products to public hospital in Kai Tak and supply and installation of timber flooring products to Ho Man Tin residential projects in the last year, the Group faced several challenges which might deteriorate its performance. During the Year, more contractor players participated in the market with low price strategies followed by inferior quality products. Meanwhile, Group is the sole distributor of German-made MultiGips Gypsum Block which is a highly recognised products featuring biological and harmless components, odor neutral, no gas emitting substances with BEAM Plus accredited.

Another challenge to the Group is one of our woodworks projects, as mentioned in the last interim report, postponed the commencement date to the next financial year due to the change of main contractor. The Group was well prepared for this project and had commenced preliminary works on this project, but the impact the of the postponement inevitably required additional resources such as extra time spent on negotiation with the new main contractor as well as the probable inflation on late ordering of wooden materials and labour costs.

As a result of dire competition and the postponement of the abovementioned project, net profit for the Year was approximately HK$0.8 million, which was slightly lower than last year. Looking ahead, we remain focused on further improving our operation efficiency and investment in new technology to support our business growth and competitiveness with reasonable profit margins. At present, we are in progress to research and test on new innovative products such as heated flooring system and radiation protection gypsum block products. We have also began developed and began to trade a new Smart Air-Purification System with our business partner aiming to improve human living quality and enhance the awareness of indoor air pollution.

Looking forward, continuous challenges are expected in the construction industry, especially the soaring material cost and increasing labour cost, which would hinder the performance of the Group. However, we remain optimistic towards the future. We believe that the Group would be benefit from the promising medium-to-long term outlook of the Hong Kong construction industry. The Group will endeavor to manage the challenges in the fast changing environment and maintain its leading position among industry players to achieve satisfactory results in the future.

APPRECIATION

Lastly, on behalf of the Board, I would like to express my sincere appreciation to all shareholders, customers and business partners for their continuous support to the Group, and to extend my gratitude to dedicated staff for their contributions throughout the Year.

Lo Wing Cheung
Chairman

Hong Kong, 19 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

The Group is a building materials contractor providing building materials and the relevant installation services mainly in Hong Kong. The Group's products mainly consist of (i) timber flooring products; (ii) interior wall-fill materials, in particular, gypsum block products; (iii) woodwork products; and (iv) roof tiles.

During the year ended 31 March 2019, the Group faced increasing competition in both timber flooring products and gypsum block products markets. In particular, the Group observed an increased number of competitors and their aggressive pricing strategies in bidding for new projects. Hence, the revenue generated from timber flooring products and gypsum block products decreased.

In addition, based on the latest work programme and available information, one of the Group's major supply and installation project will fall behind schedule due to change of main contractor in 2018. A deed of transfer and assignment (the "**Deed**") relating to the Group's engagement in this project was signed on 22 November 2018 between a subsidiary of the project owner and the Group. According to the Deed, the Group's engagement in this project, in particular the scope of work and contract sum, shall remain the same as those of the original contract. The initial expected completion period would be postponed from March 2019 to the year ending 31 March 2020.

To cope with the keen competition and to maintain its market share, the Group has introduced a new type of gypsum block product to the Hong Kong market during the year ended 31 March 2019, with qualities fit for the building material specifications of hospitals. With the introduction of this new product, the Group would be able to grasp the potential business opportunities brought by the 10 Year Hospital Development Plan as set out in "The Chief Executive's 2016 Policy Address".

Moreover, the housing policy continues to be the focal point of the HKSAR government. Under "The Chief Executive's 2018 Policy Address" published by the HKSAR government, the government has committed to increase housing supply in the coming future. The "Lantau Tomorrow Vision" project announced in "The Chief Executive's 2018 Policy Address" has set out a long-term plan to unleash land potential and increase land supply in the coming 20 to 30 years, which would be a valuable business opportunity to the Group.

Looking forward, the Group will continue to focus on its competitive edge. The Directors believe that the Group can benefit from the promising medium-to-long term outlook of the Hong Kong construction industry. In the long run, the Group will endeavor to manage the challenges in the fast-changing environment and maintain its leading position among industry players to achieve satisfactory results in the future.

FINANCIAL REVIEW

Revenue

The Group's revenue was generated from two segments: (i) supply and installation projects; and (ii) sales of building material projects. The Group's total revenue decreased by approximately HK$50.0 million, or approximately 17.9%, from approximately HK$280.1 million for the year ended 31 March 2018 to approximately HK$230.1 million for the year ended 31 March 2019. Such decrease was mainly attributable to the increase in competition from competitors with aggressive pricing strategies, which affected the Group's pricing strategy and in turn resulted in a decline in the average contract sum.

The following table sets forth the details of the Group's revenue sources:

	For the year ended 31 March			
	2019		2018	
	HK$ million	**%**	HK$ million	%
Supply and installation	**197.6**	**85.9**	229.8	82.0
Sales of building materials	**32.5**	**14.1**	50.3	18.0
Total	**230.1**	**100.0**	280.1	100.0

Supply and installation projects

The Group's revenue generated from supply and installation projects decreased by approximately HK$32.2 million, or approximately 14.0%, from approximately HK$229.8 million for the year ended 31 March 2018 to approximately HK$197.6 million for the year ended 31 March 2019. Such decrease was mainly due to the decline in contract sum for the projects awarded as a result of the abovementioned keen competition from market players and their aggressive pricing strategies, and the delay in progress of certain projects for the year ended 31 March 2019.

Sales of building materials projects

The Group's revenue generated from sales of building materials projects decreased by approximately HK$17.8 million, or approximately 35.4%, from approximately HK$50.3 million for the year ended 31 March 2018 to approximately HK$32.5 million for the year ended 31 March 2019. Due to the keen competition and aggressive pricing from the Group's competitors, revenue recorded from sales of gypsum block products dropped significantly from approximately HK$49.4 million for the year ended 31 March 2018 to approximately HK$25.2 million for the year ended 31 March 2019.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK$197.3 million for the year ended 31 March 2019, representing a decrease of approximately 11.8% (2018: approximately HK$223.6 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 98.9% (2018: approximately 98.0%) of the Group's total cost of sales and services for the year ended 31 March 2019.

The Group's material costs mainly comprises of timber flooring materials and gypsum block materials. The decrease in material costs for the year ended 31 March 2019 was mainly derived from the gypsum block materials. The Group recorded a decrease in purchase cost of decreasing purchase price of gypsum block materials by approximately 30.0%, which was generally in line with the decrease in revenue generated from supply of gypsum block materials projects for the year ended 31 March 2019.

The Group recorded a decrease in subcontracting costs under cost of sales and services by approximately 18.3% for the year ended 31 March 2019, which was generally in line with the decrease in revenue generated from supply and installation projects for the year ended 31 March 2019.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK$23.6 million, or approximately 41.8%, from approximately HK$56.4 million for the year ended 31 March 2018 to approximately HK$32.8 million for the year ended 31 March 2019, and the Group's gross profit margin decreased from approximately 20.2% for the year ended 31 March 2018 to approximately 14.3% for the year ended 31 March 2019.

The gross profit and gross profit margin of the Group's projects are affected by a number of factors, including scope of work, technical complexity, variation orders (if any) and/or work programme, and therefore vary from project to project.

The decrease in gross profit and gross profit margin was mainly due to the increase in competition from competitors with aggressive pricing strategies which affected the Group's pricing strategy and in turn resulted in a decline in the average contract sum, which in turn led to the decrease in gross profit and gross profit margin of the Group.

Other than the abovementioned factors, the decrease in the Group's gross profit margin was attributable to the increase in proportion of the Group's revenue generated from supply and installation projects. In general, the gross profit margin of sales of building material projects is higher than that of the supply and installation projects. Given that the proportion of revenue contribution from supply and installation projects increased from approximately 82.0% to 85.8% of the Group's total revenue for the year ended 31 March 2019, the Group's gross profit margin decreased accordingly.

Other Income

The Group's other income increased significantly by approximately HK$4.2 million, or approximately 525.0%, from approximately HK$0.8 million for the year ended 31 March 2018 to approximately HK$5.0 million for the year ended 31 March 2019. During the year ended 31 March 2019, other income of the Group was mainly represented by (i) royalty income of approximately HK$3.3 million for the permission to use one of the Group's own branded timber flooring projects; (ii) the net exchange rate difference of approximately HK$1.1 million; and (iii) the reversal of bad debt provision of approximately HK$0.3 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly comprised transportation expenses and storage expenses. The total selling and distribution expenses decreased by approximately HK$1.5 million, or approximately 19.0%, from approximately HK$7.9 million for the year ended 31 March 2018 to approximately HK$6.4 million for the year ended 31 March 2019, mainly due to the decrease in sales of building material projects.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK$12.5 million, or approximately 30.3%, from approximately HK$41.3 million for the year ended 31 March 2018 to approximately HK$28.8 million for the year ended 31 March 2019. The increase in impairment on accounts receivables and contract assets of HK$0.8 million is caused by one of the customer who is under the process of liquidation during the year ended 31 March 2019. The decrease in administrative expenses was mainly attributable to the absence of non-recurring expenses for the Listing of approximately HK$13.7 million recorded in the year ended 31 March 2018.

Finance Costs

The Group's finance costs decreased by approximately HK$1.1 million, or approximately 45.8%, from approximately HK$2.4 million for the year ended 31 March 2018 to approximately HK$1.3 million for the year ended 31 March 2019. Despite the increase in average bank borrowings, finance costs decreased as the effective interest rate decreased for the year ended 31 March 2019.

Income Tax Expenses and Effective Tax Rate

The Group's income tax expenses decreased by approximately HK$2.8 million, or approximately 84.8%, from approximately HK$3.3 million for the year ended 31 March 2018 to approximately HK$0.5 million for the year ended 31 March 2019. Such decrease was attributed to the decrease in Hong Kong profits tax rate and the absence of non-deductible listing expense for the year ended 31 March 2019.

The Group's effective tax rate decreased from approximately 58.3% for the year ended 31 March 2018 to approximately 41.3% for the year ended 31 March 2019, which was due to the absence of non-deductible expenses for the Listing for the year ended 31 March 2019. By excluding the non-deductible listing expenses, the effective tax rates were approximately 41.3% and 16.9% for the year ended 31 March 2019 and 2018 respectively.

Net Profit and Net Profit Margin

The Group's net profit decreased by approximately HK$1.5 million, from approximately HK$2.3 million for the year ended 31 March 2018 to approximately HK$0.8 million for the year ended 31 March 2019, representing a decline of approximately 65.2%. The decrease in net profit was mainly attributed by the decrease in revenue and gross profit as mentioned above, offset by the absence of non-recurring listing expense and increase in other income.

The Group's net profit margin were approximately 0.3% and 0.8% for the year ended 31 March 2019 and 2018 respectively, and such decrease was mainly due to the reasons illustrated above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The Group had normally funded its liquidity and capital requirements primarily through bank borrowings and net cash generated from operating activities.

Total equity and net current assets

The total equity of the Group mainly comprises share capital, share premium and reserves. The total equity of the Group as at 31 March 2019 was approximately HK$169.1 million (2018: approximately HK$168.6 million).

As at 31 March 2019, the Group's net current assets were approximately HK$138.1 million (2018: approximately HK$136.9 million).

Cash and cash equivalents

As at 31 March 2019, the Group had cash and cash equivalents of approximately HK$56.5 million (2018: approximately HK$63.7 million).

Bank borrowings

As at 31 March 2019, the Group had borrowings of approximately HK$38.9 million (2018: approximately HK$26.8 million), and all of the Group's borrowings were at floating interest rates (2018: HK$26.8 million).

Key financial ratios

	2019	2018
Gearing ratio	**23.0%**	15.9%
Current ratio	**3.4**	3.1

Gearing ratio: Gearing ratio is calculated based on the total debts (including all interest-bearing borrowings and loans) divided by the total equity as at the end of the reporting period.

Current ratio: Current ratio is calculated based on the total current assets divided by the total current liabilities.

Going forward, the Group expects to fund its future operations and expansion plans primarily with cash generated from business operations, borrowings and the net proceeds received by the Company through the Listing.

PLEDGE OF ASSETS

As at 31 March 2019, the Group's banking facilities were secured by properties with net carrying amount of approximately HK$22.4 million (2018: approximately HK$23.1 million) and pledged bank deposits of approximately HK$8.1 million (2018: approximately HK$8.1 million).

CAPITAL EXPENDITURE

During the year ended 31 March 2019, the Group has acquired items of property, plant and equipment of approximately HK$0.7 million (2018: approximately HK$25.4 million).

CONTINGENT LIABILITIES

As at 31 March 2019, the Group has been involved in a litigation and potential claim against the Group in relation to work-related injury. In the opinion of the Directors, the litigation and potential claim are not expected to have a material impact on the consolidated financial statements. Accordingly, no provision has been made to the consolidated financial statements.

In addition, the Group provided guarantee of performance bonds in its ordinary course of business. As at 31 March 2019, the Group's contingent liabilities in relation to performance bonds were approximately HK$4.5 million (2018: approximately HK$5.2 million).

CAPITAL COMMITMENTS

The Group has no capital commitment as at 31 March 2019 (2018: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

Fluctuating cash flows pattern

The Group may incur net cash outflows at the early stage of carrying out works when it is required to pay material costs and/or for subcontractors prior to receiving payment from customers. Customers will pay progress payments after works commenced and after such works have been certified by customers. Accordingly, the Group may experience net cash outflows to pay certain material costs and/or subcontractors' fees while the respective progress payments may not be received in the same periods. If during any particular period of time, there exists too many projects which require substantial cash outflows while the Group has significantly less cash inflows, the Group's cash flow position may be adversely affected.

Inaccurate estimation on the cost and work programme of projects

As contracts from customers are normally awarded through successful tendering and acceptance of quotation offer, the Group needs to estimate the time and costs based on the tender documents or quotation requests provided by customers in order to determine the tender price or quotation. There is no assurance that the actual execution time and costs of the project would not exceed the Group's estimation.

The actual time taken and costs involved in completing contracts undertaken by the Group may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, additional variations to the work plans requested by customers, delays in obtaining any required permits or approvals, disputes with subcontractors or other parties, accidents, changes in Hong Kong government policies and customers' priorities and any other unforeseen problems and circumstances. Any of the aforementioned factors may give rise to delays in completion of works or cost overspend or even termination of projects by customers, which in turn may adversely affect the Group's profitability and liquidity.

Irregular profit margin

The Directors believe that the profit margin of each project significantly depends on various factors, such as the terms of the contracts, the length of the contractual period, the efficiency of implementation of the contractual works and the general market conditions which are beyond the Group's control. As a result, the income flow and the profit margin of each project, which are largely dependent on the terms of the work contracts, may not be entirely regular and consistent and there is no assurance that the profitability of a project can be maintained or estimated at any level. If the profit margin of the project significantly deviates from the estimation of the Directors, the Group's financial position could be adversely affected.

Failure to obtain new projects

The Group provides materials and/or relevant installation services to customers generally on a project-by-project basis. The Group's revenue from projects is non-recurring in nature. It cannot be guaranteed that the Group will continue to secure new projects from customers after the completion of the existing awarded projects.

Currency risk

Certain transactions of the Group are denominated in currencies which are different from the functional currency of the Group, namely, Hong Kong dollars, and therefore the Group is exposed to foreign exchange risk. Payments made by the Group for the settlement of its cost of sales and services are generally denominated in Hong Kong dollars, USD and EUR. Payments received by the Group from its customers are mainly denominated in Hong Kong dollars. The Group continues to monitor closely its exposure to currency movement and may take proactive measures where necessary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had 33 employees (including executive Directors), as compared to a total of 29 employees as at 31 March 2018. The total staff costs incurred by the Group for the year ended 31 March 2019 were approximately HK$16.0 million (2018: approximately HK$14.3 million). The increase in staff costs was mainly due to (i) increase in number of staff for the year ended 31 March 2019; and (ii) increase in monthly average salary for staff.

Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The Group's employees are remunerated according to their job scope, responsibilities, and performance. Employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. Other staff benefits include the provision of retirement benefits and sponsorship of training courses.

The emoluments of Directors and senior management were reviewed by the Remuneration Committee of the Company, having regard to the salaries paid by comparable companies, experience, responsibilities and performance of the Group, and approved by the Board.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2019. Save as the business plan as disclosed under the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**"), there was no other plans for material investments or capital assets as at 31 March 2019.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing will be utilised in accordance with the proposed applications set out under the section headed "Future plans and use of proceeds" in the Prospectus. The table below sets out the proposed applications of the net proceeds and actual usage up to 31 March 2019:

	Proposed Application HK$ million	**Actual usage up to 31 March 2019** HK$ million	**% utilised**
— Acquiring a property as a warehouse, workshop and showroom *(Note 1)*	29.9	—	0.0%
— Repayment of bank borrowings	27.8	27.8	100.0%
— Expanding capacity to undertake more projects	14.0	0.7	5.0%
— Expanding and strengthening the manpower	7.4	1.6	21.6%
— Refurbishment of the offices	5.1	3.4	66.7%
— Upgrading the information technology and project management systems	2.8	—	0.0%
— General working capital	9.4	9.4	100.0%
	96.4	42.9	44.5%

Note 1: The Group has considered potential acquisition of certain properties during the year. In the meanwhile, the Group also considered the impact of the US-China Trade War on the Hong Kong property market and economy. Due to the uncertainties in Hong Kong's property market and economy, the Group has rented a premise for showroom purpose from an independent third party after the year ended 31 March 2019 with a term of 2 years, instead of purchasing a premise at this moment.

The Group remains cautious in selecting a suitable property with reasonable price.

Note 2: All unutilised balances have been placed in licensed banks in Hong Kong.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities during the year ended 31 March 2019.

EXECUTIVE DIRECTORS

Mr. Lo Wing Cheung ("**Mr. Lo**"), aged 62, a controlling shareholder of the Company, has been the Chairman of the Board, an executive Director and Chief Executive Officer since June 2017. He is also the chairman of the Nomination Committee of the Company. He is the spouse of Ms. Fung Pik Mei and the father of Ms. Lo Pui Ying Janice.

Mr. Lo has over 35 years of experience in the construction industry in Hong Kong. He was the founder of the Group. He is primarily responsible for the Group's overall management, strategic planning and business development activities. Under the management of Mr. Lo, the Group gradually expanded its business and became engaged as the main supplier of building materials to many significant residential and commercial developments in Hong Kong over the past three decades.

Ms. Fung Pik Mei ("**Ms. Fung**"), aged 58, a controlling shareholder of the Company. She has been the executive Director since June 2017. She is the spouse of Mr. Lo and the mother of Ms. Lo Pui Ying Janice. Ms. Fung joined the Group as a director of Kwan Tai Engineering Co., Limited (one of the Group's subsidiaries) in 1997 and was responsible for overseeing the day-to-day business operations of the Group, in particular the supervision of the project management team. Having been involved in the management of the Group for over 20 years, she has gathered extensive expertise within the industry, businesses of the Group and project management for all of the Group's operations.

NON-EXECUTIVE DIRECTOR

Mr. Wan Ho Yin ("**Mr. Wan**"), aged 41, was appointed as a non-executive Director since June 2017 and is mainly responsible for advising the internal audit function of the Group and performing independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. He is also a member of the Audit Committee of the Board.

Mr. Wan graduated with a Bachelor degree of Business Administration in Accounting from the Hong Kong Baptist University in 1999. He is a member of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) and a member of the Association of Chartered Certified Accountants since 2003. He has over 16 years of experience in audit and financial management. Since September 2014, he has been in the role of the chief financial officer and company secretary of Man King Holdings Limited (Stock code: 2193), a company listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")

Mr. Shu Wa Tung Laurence ("**Mr. Shu**"), aged 46, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is also a member of the Remuneration Committee and Nomination Committee and the chairman of the Audit Committee of the Board.

Mr. Shu graduated from Deakin University, Australia in 1994 with a Bachelor degree in Business majoring in Accounting. He is a member of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) and a member of the CPA Australia since 1997. He has completed a CFO Programme at China Europe International Business School in 2009, and he is a life member of the Hong Kong Independent Non-Executive Director Association since May 2019. Mr. Shu has over 20 years of experience in audit, corporate finance, and financial management. Starting from July 2010 to July 2018, Mr. Shu served as the chief financial officer of Petro-king Oilfield Services Limited (Stock code: 2178), a company listed on the Main Board of the Stock Exchange and Mr. Shu is served as the chief financial controller of Brainhole Technology Limited (Stock code: 2203, formerly known as Top Dynamics International Holdings Limited), a company listed on the Main Board of the Stock Exchange since August 2018.

Mr. Shu is an independent non-executive director of Riverine China Holdings Limited (Stock Code: 1417) since November 2017 and an independent non-executive director of Chengdu Expressway Co., Ltd (Stock Code: 1785) Since November 2016.

Mr. Tam Wai Tak Victor ("**Mr. Victor Tam**"), aged 41, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board.

Mr. Victor Tam graduated from the University of Glamorgan (now known as the University of South Wales) with a degree of Bachelor of Arts in accounting & finance (first class honours) in 2001. He is a fellow member of the Association of Chartered Certified Accountants since 2010 and a member of the Hong Kong Institute of Certified Public Accountants since 2005. He has over 15 years of experience in the field of auditing, accounting and financial management. Since January 2013, Mr. Victor Tam served as the financial controller and company secretary of Differ Group Holding Company Limited (Stock code: 6878), a company listed on the Main Board of the Stock Exchange.

Mr. Victor Tam is serving as an independent non-executive director of Shun Wo Group Holdings Limited (Stock Code: 1591) since September 2016, an independent non-executive director of GT Steel Construction Group Limited (Stock Code: 8402) since June 2017 and an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) from August 2017 to May 2019.

Mr. Tam Wing Lok ("**Mr. WL Tam**"), aged 43, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is also a member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee of the Board.

Mr. WL Tam graduated with a Bachelor of Science in Surveying from the University of Hong Kong in 1998. He became a chartered quantity surveyor in Hong Kong in 2002. Mr. WL Tam subsequently obtained a Bachelor of Laws degree in 2003 from the Manchester Metropolitan University (in collaboration with the University of Hong Kong's School of Professional and Continuing Education) by long distance learning. In 2005, he obtained a Postgraduate Certificate in Laws from the City University of Hong Kong. In 2009, Mr. WL Tam further obtained a Master of Laws in Arbitration and Dispute Resolution from the University of Hong Kong. He became qualified as a solicitor in the courts of Hong Kong in 2013.

Since August 2013, Mr. WL Tam has been working as a solicitor at Wong and Lawyers (formerly known as Chan & Associates), where he provides construction related legal services to his clients.

SENIOR MANAGEMENT

Mr. Ho Shing Chak Stephen ("**Mr. Ho**"), aged 64, is the technical advisor of the Group. He joined the Group in April 2017 and is mainly responsible for providing technical advice including material and components sourcing, project management and installation advice to projects contemplated and undertaken by the Group.

Mr. Ho obtained a Bachelor of Arts in Architectural Studies in 1977 and a Bachelor of Architecture in 1980 both from the University of Hong Kong. Mr. Ho has been a Registered Architect in Hong Kong since 1983 and is registered as an authorised person and a registered inspector under the Buildings Ordinance (Cap. 123 of the laws of Hong Kong). He has been a member and a fellow of the Hong Kong Institute of Architects since 1983 and 1999 respectively. Mr. Ho is also licensed as a class 1 registered architect in the PRC since 2005. Mr. Ho has more than 30 years of experience in architectural practice and project management.

Ms. San Ying Ton Nicole ("**Ms. San**"), aged 40, is the marketing manager of the Group. She joined the Group in January 2016 and is mainly responsible for the management of sales and marketing operations of the Group. Ms. San has over 10 years of experience in the sales and marketing of building materials.

Ms. Lo Pui Ying Janice ("**Ms. Lo**"), aged 29, is the chief operating officer of the Group. She joined the Group in September 2016 as an administration manager and was promoted to her current position in December 2017 and is mainly responsible for overseeing the internal control policy in relation to the operational and administrative process of the Group.

Ms. Lo obtained a Bachelor of Science in Management and a Master of Science in Marketing & Strategy both from the University of Warwick in the United Kingdom in 2012 and 2013 respectively.

Ms. Lo is the daughter of Mr. Lo and Ms. Fung, the executive Directors.

Mr. Chau Ka Ho ("**Mr. Gabriel Chau**"), aged 36, was the financial controller of the Group and company secretary of the Company until March 2019. He joined the Group in April 2017 and is mainly responsible for overseeing the financial reporting and financial planning of the Group. Mr. Gabriel Chau has left the Group in March 2019.

Mr. Gabriel Chau obtained a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in 2005 and a Master of Science in Risk Management Science from the Chinese University of Hong Kong in 2016. He is a member of Hong Kong Institute of Certified Public Accountants since 2009 and obtained the designation of Chartered Financial Analyst since 2012. He has over 12 years of experience in the field of auditing and accounting.

Mr. Chau Wing Wo ("**Mr. Jeff Chau**"), aged 35, is the financial controller of the Group and company secretary of the Company since April 2019. He joined the Group in April 2019 and is mainly responsible for overseeing the financial reporting and financial planning of the Group.

Mr. Jeff Chau obtained a Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong in 2007. He is a member of Hong Kong Institute of Certified Public Accountants since 2011. He has over 10 years of experience in the field of auditing and accounting. Prior to joining the Group, Mr. Jeff Chau was the financial controller and company secretary of IMS Group Holdings Limited (Stock code: 8136) from January 2017 to March 2019.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from provision A.2.1 of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules as disclosed below, the Company has adopted the CG Code as the Group's corporate governance practices. In the opinion of the Directors, the Company has complied with the applicable code provisions under the CG Code for the year ended 31 March 2019 except the following:

Pursuant to Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. However, the roles of the Group's chairman and CEO are both performed by Mr. Lo Wing Cheung. Mr. Lo is currently the chairman of the Board and the CEO, responsible for strategic planning and managing of the Group's overall business and operations. Mr. Lo has been responsible for the overall management of the Group since it was founded in 1980. The Board believes that the current management structure enables the Company to make and implement business decisions swiftly and effectively, which promotes the Group's development in line with its overall business direction. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired due to the diverse background and experience of the non-executive Director and independent non-executive Directors. Further, the audit committee (the "**Audit Committee**"), which consists of three independent non-executive Directors and one non-executive Director, has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Nomination Committee, and the Remuneration Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

During the year ended 31 March 2019 and up to the date of this annual report, the composition of the Board is as follows:

Executive Directors:
Mr. Lo Wing Cheung *(Chairman)*
Ms. Fung Pik Mei

Non-Executive Director:
Mr. Wan Ho Yin

INEDs:
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

To the best knowledge of the Directors, save and except Ms. Fung is the spouse of Mr. Lo, there was no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

The biographies of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

During the year ended 31 March 2019, the Company has been in compliance with the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three INEDs with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of INEDs representing at least one-third of the Board.

As each of the INEDs has confirmed his independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

All Directors, including the INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. INEDs are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Each Director was provided with the necessary training and information to ensure that he/she has proper understanding of the responsibilities under the Listing Rules and the applicable law, rules and regulations. The Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills. The Company will continue to arrange suitable training and regular seminars to provide the Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

During the year ended 31 March 2019, all Directors pursued continuous professional development and relevant details are set out below:

Name of Director	Types of Training
Executive Directors:	
Mr. Lo	A
Ms. Fung	A
Non-Executive Director:	
Mr. Wan	A
INEDs:	
Mr. Shu	A & B
Mr. Victor Tam	A
Mr. WL Tam	A

Remarks:

A — Attending seminars/conferences/forums/internal briefing sessions
B — Reading journals/updates/articles/materials

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from their respective date of appointment subject to termination as provided in the service contract.

Each of the non-executive Director and INEDs has signed an appointment letter with the Company for a term of three years commencing from their respective date of appointment.

The appointments of executive Directors, non-executive Director and INEDs are subject to the provisions of retirement and rotation of Directors under the articles of association of the Company (the "**Articles**") and the applicable Listing Rules. The procedures and process of appointment, re-election and removal of Directors are set out in the Articles.

In accordance with article 16.18 of the Articles, at every annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to article 16.2 or article 16.3 of the Articles shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

NOMINATION POLICY

The Board has adopted the Nomination Policy with effect from 1 January 2019 which sets out the criteria, process and procedures for the Nomination Committee to recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider the following factors in assessing the suitability of the proposed candidate(s): (a) reputation for integrity; (b) accomplishment experience and reputation in the industry and other relevant sectors; (c) commitment in respect of sufficient time, interest and attention to the Company's business; (d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience in assessing and selecting proposed candidates for directorship; (e) the ability to assist and support management and make significant contributions to the Company's success; and (f) compliance with the criteria of independence for the appointment of an independent non-executive director as required under the Listing Rules.

The following nomination procedures should be followed:

- The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee itself may also nominate candidates for consideration.
- In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.
- In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

BOARD MEETINGS, GENERAL MEETINGS AND ATTENDANCE OF DIRECTORS

The Company intends to hold Board meetings regularly, at least four times a year, and at approximately quarterly intervals.

Any Director who is not able to be present physically may participate at any Board meeting through electronic means of communication, such as telephone conference or other similar communication equipment, in accordance with the Articles.

Notice convening each regular Board meeting is sent at least 14 days in advance, and reasonable notice is given for other Board meetings. The company secretary of the Company assists the Chairman of the Board to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director not less than 3 days before the date of a Board meeting to enable the Directors to make informed decisions on the matters to be discussed, except when a Board meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

Minutes of Board meetings are recorded in sufficient details regarding the matters considered by the Board at the meeting and decisions reached. Draft minutes of board meetings are circulated to the Directors for review and the signed minutes are kept by the Company Secretary and open for inspection to any Director on request.

Each Director is expected to give sufficient time and attention to the affairs of the Company. The individual attendance records of each Director at the general meetings of the Board and the Board Committees during the year ended 31 March 2019 are set out below:

Directors

	No. of Meetings attended/ No. of Meetings held during the Director's tenure of office				
	Board	Remuneration Committee	Audit Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Lo	4/4	2/2	N/A	1/1	1/1
Ms. Fung	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Wan	4/4	N/A	2/2	N/A	1/1
INEDs					
Mr. Shu	4/4	2/2	2/2	1/1	1/1
Mr. Victor Tam	4/4	2/2	2/2	1/1	1/1
Mr. WL Tam	4/4	2/2	2/2	1/1	1/1

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to the executive Directors, non-executive Director and independent non-executive Directors, who have confirmed that they have complied with the Model Code for the year ended 31 March 2019.

BOARD COMMITTEES

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

Audit Committee

The Company's Audit Committee was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange.

As at 31 March 2019, the Audit Committee comprised of the three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one non-executive Director, namely Mr. Wan. Mr. Shu is currently the chairman of the Audit Committee. Mr. Shu possesses the appropriate accounting qualifications and experiences in financial matters. The Company has complied with rule 3.21 of the Listing Rules in that the Audit Committee must comprise a minimum of three members and must be chaired by an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise as required in rule 3.10(2) of the Listing Rules.

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the auditor's report, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee risk management and internal control systems and internal and external audit functions.

The Audit Committee makes arrangement for holding at least two meetings and meeting external auditors twice to discuss the audit plan and to review the Company's annual report and accounts during each financial year. During the year ended 31 March 2019, the Audit Committee held two meetings.

It is confirmed that there is no disagreement between the Board and the Audit Committee's view on the re-appointment of external auditors, and they both have agreed to recommend the re-appointment of SHINEWING (HK) CPA Limited ("**SHINEWING**") as the Company's external auditor for the ensuing year at the 2019 annual general meeting of the Company.

Remuneration Committee

The Company's Remuneration Committee was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange, and consists of a majority of INEDs. The purpose of the Remuneration Committee is to set policy on the remuneration of executive Directors' and senior management and for fixing remuneration packages for all Directors and senior management.

The main responsibility of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and structuring for Directors and senior management and their remuneration package with reference to the Group's corporate goals and strategies. As at 31 March 2019, the Remuneration Committee comprised three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one executive Director, namely Mr. Lo. Mr. WL Tam is the chairman of the Remuneration Committee.

The Remuneration Committee meets at least once a year to review the remuneration of each Director and make recommendations to the Board. The Remuneration Committee held two meetings during the year ended 31 March 2019.

Executive Directors and senior management of the Company are entitled to discretionary performance related bonus payments which are determined with reference to the Group's operating results and their respective individual performance. Particulars of the remuneration payable to each Director for the year ended 31 March 2019 are set out in note 12 to the financial statements of this annual report.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the senior management (excluding the Directors) by band for the year ended 31 March 2019 is set out below:

Within the band of	Number of individuals
Nil to HK$1,000,000	5

Nomination Committee

The Company's Nomination Committee consists of a majority of INEDs. It was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange.

As at 31 March 2019, the Nomination Committee comprised three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one executive Director, namely Mr. Lo. Mr. Lo is the chairman of the Nomination Committee.

One of the major duties of the Nomination Committee includes reviewing the structure, size and diversity of the Board at least annually. It is believed that a truly diverse board will include and make good use of the differences in the skills, background, experience, knowledge, expertise and other qualities of members of the board. The other duties of the Nomination Committee include making recommendations on any proposed changes to the Board, identifying individuals suitable and qualified to become Directors and making recommendations to the Board on the selection of individuals nominated for directorships.

The Nomination Committee meets at least once a year. The Nomination Committee held one meeting during the year ended 31 March 2019.

Board Diversity Policy

The Company had adopted a Board diversity policy which aims to set out the approach to achieve the diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

DIRECTORS' AND AUDITORS RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that the appropriate accounting policies are selected and applied consistently. The reporting responsibilities of the Company's external auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 39 to 44 of this annual report. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR'S REMUNERATION

During the year, the Group's external auditors, SHINEWING, provided assurance service and non-assurance service to the Group. Details of the fees paid/payable to SHINEWING during the year ended 31 March 2019 are as follows:

	HK$
Assurance service	1,038,000
Non-assurance service	6,000
	1,044,000

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing the effectiveness of such systems through the Audit Committee on an annual basis. The Audit Committee assists the Board in fulfilling its oversight and corporate roles in the Group's financial, operational, compliance, risk management and internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board and the Audit Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage, rather than to eliminate the risk of failure to achieve the Group's business objectives.

The Group has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

The Group has an internal audit function which is primarily responsible for developing various internal control manuals and procedures, conducting reviews on the key operational processes and the related internal controls to ensure compliance with the Group's risk management and internal control policies and procedures.

During the year ended 31 March 2019, the Group has conducted an annual review on the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and efficiency of the risk management and internal control systems of the Group.

The Audit Committee assists the Board in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committees are kept informed of significant risks that may impact on the Group's performance. During the year ended 31 March 2019, the Board considered the risk management and internal control systems of the Group to be effective and adequate. The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function.

Procedures and controls over handing and dissemination of inside information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance (the "**SFO**") and the Listing Rules. An Inside Information Policy has been established to lay down guidelines on definition of inside information, compliance and reporting mechanism of inside information. All members of the Board, senior management, and staff who are likely to possess inside information are strictly bound by this policy. Staff who have access to inside information are required to keep such unpublished inside information confidential until relevant announcement is made. Failure to comply with such requirements may result in disciplinary actions.

COMPANY SECRETARY

The role of the company secretary of the Company was performed by Mr. Gabriel Chau from April 2018 to March 2019 and Mr. Jeff Chau starting from April 2019. The company secretary is responsible for facilitating the Board's communications among Board members, the Shareholders and the management of the Company and ensuring the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. Gabriel Chau and Mr. Jeff Chau have confirmed that they took not less than 15 hours of relevant professional training during the year ended 31 March 2019 in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

To promote effective communication, the Company adopts a shareholders communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.kwantaieng.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

The Group is mindful of Shareholders' interest to ensure that they are treated fairly and are able to exercise their Shareholders' rights effectively. Shareholders' rights are entitled by the Articles and Shareholders are also encouraged to participate in the Company's general meetings.

Convening of extraordinary general meeting

In accordance with the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting (the "**EGM**") to be called by the Directors for the transaction of any business specified in such requisition. Such requisition shall be made in writing to the Board or the company secretary of the Company which is situated at Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for putting forward proposals by Shareholders at Shareholders' meeting

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of the proposal ("**Proposal**") with his/her/its detailed contact information at the Company's headquarters and principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's Hong Kong branch share registrar at their respective address.

The request will be verified with the Company's Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

POLICY ON PAYMENT OF DIVIDENDS

The Board has adopted the policy with effect from 1 January 2019 that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Company currently does not have any pre-determined dividend distribution ratio and may declare dividends by way of cash or scrip or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

(a) the Group's financial results;

(b) the shareholders' interests;

(c) general business conditions, strategies and future expansion needs;

(d) the Group's capital requirements;

(e) the payment by its subsidiaries of cash dividends to the Company;

(f) possible effects on liquidity and financial position of the Group; and

(g) other factors as the Board may consider appropriate.

REPORT OF THE DIRECTORS

The Board presents to the Shareholders this annual report together with the audited financial statements of the Company and the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements. There was no significant change in the Group's principal activities during the year ended 31 March 2019.

RESULTS AND DIVIDENDS

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 45.

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 March 2019 amounted to approximately HK$13,000 (2018: HK$1.0 million).

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company had reserves which amounted to approximately HK$147.0 million (2018: HK$148.3 million) available for distribution as calculated based on the Company's share premium, other reserves and accumulated losses under applicable provisions of the Companies Law in the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year ended 31 March 2019 in the share capital of the Company are set out in note 29 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities during the year ended 31 March 2019.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 114. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

The review of the business of the Group during the year ended 31 March 2019 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties faced by the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group's success depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

The Group is committed to establish a close and caring relationship with its employees. The Group provides a fair and safe workplace, promotes diversity to staff and provides competitive remuneration, benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to employees so that they can keep abreast of the latest development of the market and the industry, and improve their performance and self-fulfillment in their respective positions.

Customers and suppliers

The major customers of the Group include some of the major main contractors in Hong Kong. Many of the Group's five largest customers and suppliers have established long term business relationship with the Group. The Directors believe that such long-term relationships represent confidence and trust from business partners and acknowledgement of the Group's ability.

The Group recognises the importance of maintaining good relationships with customers, suppliers and subcontractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with business partners when appropriate.

During the year ended 31 March 2019, the Group's five largest customers in aggregate accounted for approximately 50.1% (2018: approximately 53.5%) of the Group's total revenue. The largest customer accounted for approximately 13.6% (2018: approximately 15.4%) of the Group's total revenue.

During the year ended 31 March 2019, the Group's five largest suppliers in aggregate accounted for approximately 44.8% (2018: approximately 53.4%) of the Group's total cost of sales and services. The largest supplier accounted for approximately 23.6% (2018: approximately 20.4%) of the Group's total cost of sales and services.

During the year ended 31 March 2019, the Group's five largest subcontractors in aggregate accounted for approximately 34.4% (2018: approximately 30.8%) of the Group's total cost of sales and services. The largest subcontractors accounted for approximately 24.0% (2018: approximately 17.8%) of the Group's total cost of sales and services.

To the best of the knowledge of the Directors, none of the Directors, their close associates or any shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital had an interest in these major customers, suppliers and subcontractors.

ENVIRONMENTAL POLICIES

The environmental policies of the Group are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Directors confirmed that during the year ended 31 March 2019 and up to the date of this annual report, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in the jurisdictions which the Group operates.

DIRECTORS

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

Executive Directors
Mr. Lo Wing Cheung *(Chairman)*
Ms. Fung Pik Mei

Non-executive Director
Mr. Wan Ho Yin

INEDs
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

Information regarding Directors' emoluments are set out in note 12 to the consolidated financial statements.

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

In accordance with article 16.2 of the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Pursuant to article 16.18 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Accordingly, Mr. Lo and Mr. Wan will retire by rotation at the forthcoming annual general meeting of the Company. All, being eligible, offer themselves for re-election.

The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company which is initially for a fixed term of 3 years, commencing from the Listing Date or from the date of appointment, and shall continue thereafter until terminated by not less than 3 months' written notice to the other party.

Each of the non-executive Director and INEDs has entered into a letter of appointment with the Company which is initially for a fixed term of 3 years, commencing from the Listing Date. The appointment is subject to termination under certain circumstances as stipulated in the said letter of appointment, and the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Each of the executive Directors, non-executive Director and INEDs is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 March 2019.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year ended 31 March 2019.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. The Company has also arranged appropriate liability insurance in respect of legal action against the Directors. The relevant provisions in the Articles and the aforesaid liability insurance was in force during the year ended 31 March 2019 and as of the date of this report.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 March 2019.

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

As at 31 March 2019, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (the "**Shares**"), or any of the associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding
Mr. Lo Wing Cheung ("**Mr. Lo**")	Interest in a controlled corporation *(Note)*	588,000,000	73.5%
Ms. Fung Pik Mei ("**Ms. Fung**")	Interest in a controlled corporation *(Note)*	588,000,000	73.5%

*Note: These 588,000,000 Shares are held by Helios Enterprise Holding Limited ("**Helios**"), a company incorporated in the BVI and owned as to 70% by Mr. Lo and 30% by Ms. Fung. Therefore, Mr. Lo and Ms. Fung are deemed to be interested in all the Shares held by Helios for the purposes of the SFO.*

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the Shares, the underlying Shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held (L)	Percentage of shareholding
Helios	Beneficial owner	588,000,000	73.5%

Note: The letter "L" denotes long position in the Company's Shares.

Save as disclosed above, as at 31 March 2019, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures 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, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company's share option scheme ("**Share Option Scheme**") was adopted pursuant to a resolution passed on 19 December 2017. From the date of the adoption of the Share Option Scheme and up to the end of the reporting period, no share option has been granted, or agreed to be granted, under the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward its employees, Directors and other selected participants for their contributions to the Group.

2. Participants of the Share Option Scheme and the Basis of Determining the Eligibility of the participants

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option, to any Director(s) (including executive Directors, non-executive Director and INEDs) and employee(s) of any member of the Group and any advisers, suppliers, customers, business partners of any member of the Group who the Board considers, in its absolute discretion and on such terms as it deems fit, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme.

3. **Grant of options**

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any participant as the Board may in its absolute discretion select. The offer shall specify the terms on which the option is granted. Such terms may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed) either on a case by case basis or generally.

4. **Payment on acceptance of option offer**

An offer shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. HK$1.00 is payable by the participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme (the "**Grantee**") to the Company on acceptance of the offer of the option.

5. **Subscription price**

The subscription price shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than 5 business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the offer of new Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and

(c) the nominal value of a Share on the date of grant.

6. **Option period**

The period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

7. **Maximum number of Shares subject to options**

(a) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time;

(b) The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 80,000,000 Shares, representing 10% of the aggregate of the Shares in issue on the Listing Date (the "**General Scheme Limit**");

(c) The Company may refresh the General Scheme Limit at any time subject to prior Shareholders' approval. However, the General Scheme Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed;

(d) The Company may also seek separate Shareholders' approval for granting options beyond the General Scheme Limit to participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought;

(e) The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1% of the Shares in issue (the "**Individual Limit**"). Any further grant of options to a participant which would result in the Shares issued, and to be issued, upon exercise of all options granted, and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders' approval in advance, with such participant and his close associates (or his associates if such participant is a connected person) abstaining from voting.

CONNECTED TRANSACTIONS

The Group had not entered into any transactions which constituted connected transactions (including continuing connected transactions) which is subject to annual review and disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 March 2019.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year ended 31 March 2019 are set out in note 33 to the consolidated financial statements. The related party transactions entered into by the Group during the year are continuing connected transactions which are exempted from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

Save for contract of service with the Directors, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered into or subsisted during the year ended 31 March 2019.

COMPETING BUSINESS

During the year ended 31 March 2019, none of the Directors or the controlling shareholders of the Company and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Board on the basis of their merit, qualifications and competence. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a Share Option Scheme as an incentive to eligible persons, details are set out under the paragraph headed "Share Option Scheme" in this annual report.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENT OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float throughout the year ended 31 March 2019 as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save for disclosed elsewhere in this annual report, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2019 and up to the date of this annual report.

AUDITOR

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

On behalf of the Board

Lo Wing Cheung
Twintek Investment Holdings Limited
Chairman

Hong Kong, 19 June 2019

ABOUT THIS REPORT

This is the second Environmental, Social and Governance Report (the "**ESG Report**") published by Twintek Investment Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"). In accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited, this report describes the initiatives and performance of the Group with regard to the issues identified during the year ended 31 March 2019.

REPORTING PERIOD AND SCOPE

This ESG Report focuses on the operation of the Group's business segment of sales of building materials and provision of construction and engineering services, The information published in this ESG Report covers the period from 1 April 2018 to 31 March 2019, unless otherwise stated, which is the same as the financial year covered in the Group's annual report for the year ended 31 March 2019.

STAKEHOLDER ENGAGEMENT

The long-term success of the Group is built upon commitment with responsibility towards stakeholders. The Directors also believe that it is essential for the Group to be environmentally responsible and to meet customers' demands in environmental protection and at the same time meeting the community's expectation for a healthy living and working environment. Communication with various stakeholders allow the Group to have a better understanding on stakeholders' needs and expectations with its business practice and manage different stakeholders' opinions. The Group constantly communicates with key internal and external stakeholders via various channels. This ensures that they have the opportunity to learn about the Group's development and operation directions and offers the Group an opportunity to listen to them in order to identify the issues and develop corresponding policies.

The Group identified customers, suppliers, employees and shareholders as its major stakeholders.

ENVIRONMENT

The Group is committed to minimise negative impact on the environment.

Emissions

Air emissions

The major source of the Group's air pollutants was private cars use, involving air emissions of Nitrogen Oxides, Sulphur Oxides and Respirable Suspended Particles.

Air pollutants	**Total Emission (kg)**
Nitrogen Oxides ("**NOx**")	3.35
Sulphur Oxides ("**SOx**")	0.05
Respirable Suspended Particles ("**RSP**")	0.25

Greenhouse Gas ("GHG") emissions

The Group generates direct GHG through burning of petrol from private cars. Indirect GHG emissions are generated from purchased electricity and purchase of gypsum block products from Germany by vessels.

A total of 2,730.8 tonnes CO_2-e GHG were emitted for the year ended 31 March 2019. The table below summarised the scope and activities of GHG emissions for the year ended 31 March 2019.

Scope	Activity	Greenhouse Gas (GHG) emission (tonnes CO_2-e)	%
Scope 1	Direct emissions — Consumption of petrol	8.6	0.3
Scope 2	Energy indirect emissions — Purchased electricity	43.8	1.6
Scope 3	Other indirect emissions — Shipping of gypsum block products from Germany	2,678.4	98.1
	Total	2,730.8	100.0

Waste

To the best of the Group's knowledge, the Group did not generate any hazardous waste during the year ended 31 March 2019. Non-hazardous waste including domestic garbage and office paper arises in the Group's daily office operation.

Use of Resources

The Group used a wide range of resources including electricity for daily operations, and fuel consumption for private car use. For energy use, purchased electricity was the largest type of energy end-use, mainly for electrical appliances at the Group's headquarters.

The consumption data and consumption intensity for the year ended 31 March 2019 are summarised below:

Use of resources	Consumption	Intensity (per employee)
Electricity	55,457.0 kWh/m^2	1,680.5 kWh/m^2
Petrol	3,165.6 litres	95.9 litres
Water	139.0 m^3	4.2 m^3
Packaging material	Nil	Nil

The Group recognises that a core component of maintaining sustainable development is to manage its use of resources. Hence, the Group has adopted various measures to reduce the wastage of resources:

Resources	Measures
Energy	• Switch off electrical appliances and systems when not in use • Select and procure high energy efficiency equipment with grade 1 energy labels by the Electrical and Mechanical Services Department • Maintain and repair electrical appliances regularly
Paper	• Set up recycling points to collect used paper • Encourage use of both sides of paper
Water	• Monitor water consumption regularly for any irregularities • Repair dripping faucets in a timely manner

The Group is committed to switch off electrical appliances and systems when not in use and procure energy efficient electrical appliances and systems. The Group also encourage employees to adopt the above energy saving practices together.

The Environment and Natural Resources

The Group is devoted to being environmentally friendly and the Group is one of the responsible enterprises in the building and construction industry. To promote responsible management of the world's forests, the Group has obtained the certification issued by the Forest Stewardship Council (the "**FSC**") by encouraging the Group's customers to select FSC certified wood flooring products, wood doors and furniture. In addition, the Group's gypsum block product was certified as Green Building product with platinum rating under the Hong Kong Green Building Council Green Product Accreditation and Standards (HK G-PASS).

The Group is committed to continue focusing on enhancing its existing products with eco-friendly elements to demonstrate its determination on environmental protection and to respond to the community's increasing concern on this topic.

Additionally, the Group will perform regular review to ensure emission and energy objectives are met and continue to encourage staff participation on environmental protection concept via workshops.

The Group is committed to monitoring and managing its environmental footprint. During the year ended 31 March 2019, the Group was not aware of any non-compliance nor significant violation of environmental laws and regulations regarding emission and discharge from relevant Government authorities.

EMPLOYMENT AND LABOUR PRACTICES

Employment & Labour Practices

The Group adopts non-discriminatory employment policy and offers equal opportunity to all employees, irrespective of their race, religion, sex, sexual orientation and age. Their advancement and career development are solely based on their performance, experience and skills. The Group is also fully compliant with all relevant labour and employment legislation and laws in Hong Kong and does not engage in any forced/child labour in the Group's business operation.

The Directors confirm that the Group has no material non-compliance in respect of the applicable labour laws and regulations in Hong Kong.

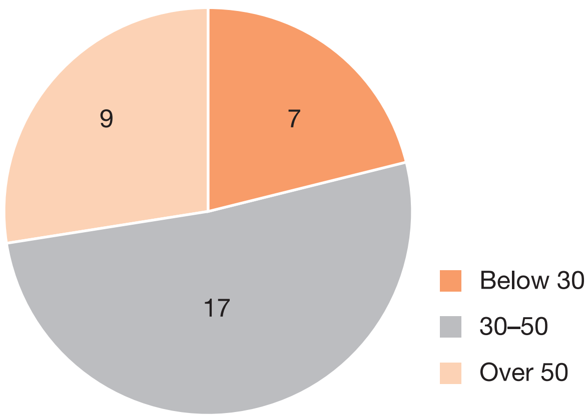
The Group offers attractive remuneration package to its employees, including basic salary, bonus, medical insurance and other subsidies such as training and education. In addition to statutory holidays, the Group offers employees additional holiday/leave such as marriage leave, examination leave and compassionate leave. Compensation for occasional overtime work, by means of alternative leave or allowance, will also be granted.

To retain and motivate employees, the Group offers career development opportunities to all of them. Specifically, the Group conducts annual appraisal for all employees as an indicator of their review of work performance.

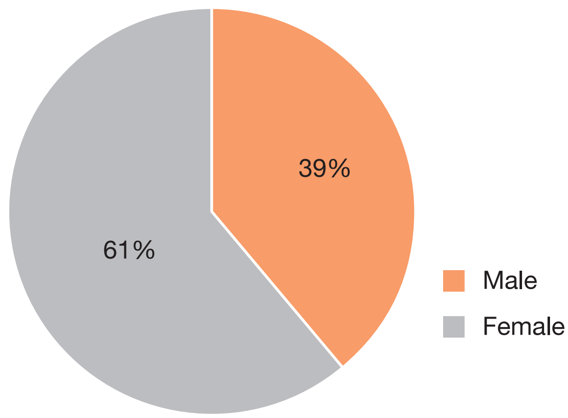
The Group strives to maintain high standard of business ethics and employee's good personal conduct. The Group's employee handbook and internal control manual are readily accessible to all employees.

As at 31 March 2019, including the executive Directors, the Group has a total of 33 employees, including 13 males and 20 females. The graphs below show the workforce by age group and gender:

Workforce by age group



Workforce by gender



Health & Safety

The Group recognises the importance of promoting a healthy and safe working environment to the Group's employees and employees of the Group's subcontractors. The Group has established various occupational health and safety measures in place and regularly perform checks on the working environment and staff facilities.

At the Group's office, indoor air purification system has been installed to maintain the optimal level of indoor air quality for the Group's employee.

To prevent accidents leading to work-related injuries at construction site, safety measures and practices are implemented to control and eliminate risks of all kinds which includes the provision of personal protective equipment and the establishment of safety working procedures. Personal protective equipment are also distributed to the Group's employees as well as employees of the Group's subcontractor. The Group's project coordinators are responsible for ensuring proper use and maintenance of the equipment. For the benefit of the Group's employees and that of the Group's subcontractors, the Group has further strengthened its safety management system by establishing the Occupational Health and Safety Assessment Series (the "**OHSAS**") 18001 (or equivalent) safety management system in future as the Group's key performance indicator in health & safety section.

Occupational health and safety statistics	**Year ended 31 March 2019**
Number of lost days due to injury	Nil
Number of work-related fatalities	Nil
Number of work injuries	Nil

During the year ended 31 March 2019, the Group was not aware of any fatal accident or reportable accident on construction sites, and any non-compliance with the health and laws and regulations.

Training & Development

The Group treasures human resources and is committed to provide trainings and development programmes to enhance employee's knowledge and skills, which ultimately creates value to the Group's business operations and support future growth.

To enhance employee's work performance, the Group provides both internal and external training courses ranging from professional and technical training to personal development skills. The Group also encourages relevant personnel to keep abreast of latest developments and best practices in the industry via training and workshops.

Labour Standards

Forced and child labour are business as well as ethical issues that concern possible infringement of basic human rights and put the Group's reputation at risk. The Group strictly prohibits the use of forced and child labour. The Group complies with Employment Ordinance (Chapter 57 of the Laws of Hong Kong) to avoid child and forced labour in its operations. During the recruitment process, all candidates' identification documents are fully examined and verified, and the practice is extended to the workers hired by the Group's sub-contractors.

During the year ended 31 March 2019, the Group fully complied with laws and regulations relating to employment, providing a safe working environment and protecting employees from occupational hazards, as well as preventing child and forced labour.

OPERATING PRACTICES

Supply Chain Management

Supply chain management is essential to the quality control system of the Group.

The Group has established various procedures to ensure that capable and competent suppliers and subcontractors are maintained in the Group's Supplier/Subcontractor Register to ensure effective and efficient project operation. The procurement team maintains a master list of all suppliers and subcontractors and the Group's selection is based on their previous experience, skills, present work load, price quotation and work quality. The procurement team evaluates the suppliers' and subcontractors' performance on a yearly basis by conducting annual performance appraisal together with the project team of the Group.

Suppliers and subcontractors with unsatisfactory performance will be banned or suspended from tendering the Group's new projects. The assessment relates to the existence and performance of suppliers' and subcontractors' environmental, health and safety system which is also included in the annual performance appraisal.

During the year ended 31 March 2019, the Group had no material shortage of building materials and did not experience any delay in supply of materials purchased from suppliers.

Product Responsibility

The Group has established a comprehensive management system and was awarded ISO9001:2015 certification for the supply and installation of the Group's products of timber flooring, gypsum blocks and timber door since 2017. In addition, the Group was awarded the Forest Stewardship Council's (FSC) Chain of Custody certification, a proof of the Group's value on product quality and sustainability of forest operations. The Group undergoes regular audit from the certification body each year to ensure that the Group's management measures comply with relevant audit requirements and standards.

The Group ensures that the timber flooring products conform to all applicable legislations to avoid the illegal trade of forest products. The Group has established procedures in place to ensure the suppliers' compliance with relevant quality and service requirements as well as laws and regulations on environmental and social matters.

The Group has not identified any non-compliance with the relevant laws and regulations in respect of product responsibility during the year ended 31 March 2019.

Anti-corruption

All employees of the Group are required to strictly observe the code on personal and professional conducts and the guidelines on anti-bribery and anti-corruption conducts as provided in the manual of code of conduct (the "**Code of Conduct**") of the Group as follows:

1. Prevention of Bribery Ordinance — soliciting or accepting any advantage in connection with the employee's work for the Group without the permission of the Group is strictly prohibited and such conduct may commit an offence under Section 9(2) of the Prevention of Bribery Ordinance (Cap 201).

2. Acceptance of Advantage — soliciting or accepting any advantage when conducting business for the Group is prohibited, unless with the prior permission of the Group in writing.

3. Entertainment — employees should avoid accepting lavish or frequent entertainment from business partners associated with the Group (e.g. suppliers or subcontractors) to prevent being affect in judgement. Excessive gambling and loans should also be avoided.

4. Conflict of Interest — employees should avoid any situation which may lead to an actual or perceived conflict of interest and make a declaration to the Group when such occasion occurs.

Employees who are in breach of the Code of Conduct may be dismissed or removed. During the year ended 31 March 2019, there was no legal case relating to bribery, extortion, fraud or money laundering brought against the Group or its employees. The Group continues to carry out regular review and update policy statement if necessary to ensure their effectiveness to strengthen the internal controls and compliance regime of the Group.

COMMUNITY INVESTMENT

The Group is committed to fulfill the corporate social responsibility in building a better community. Apart from commercial activities, the Group actively participates in community services and was awarded the "Caring Company" launched by the Hong Kong Council of Social Service in recognition of the Group's contribution to the society.

During the year, the Group took part in volunteer work organised by Food Angel in September 2018. In addition, charitable and other donations amounted to approximately HK$13,000 made by the Group during the year ended 31 March 2019 (2018: HK$1.0 million).

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

TO THE MEMBERS OF TWINTEK INVESTMENT HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Twintek Investment Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 45 to 113, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is summarised as follows:

- Accounting for construction contracts; and

- Expected credit loss ("**ECL**") recognised in respect of contract assets and trade receivables.

ACCOUNTING FOR CONSTRUCTION CONTRACTS

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 60 to 62.

The key audit matter	How the matter was addressed in our audit
The Group recognised contract revenue of a construction and engineering service contract according to the management's estimation of the total outcome of the project as well as the stage of completion of contract works. The Group recognised contract revenue by reference to the stage of completion towards satisfaction of performance obligation under input method. This involves the assessment of the stage of completion of contract works, which was performed by the Group's project managers, the actual outcome of the contract in terms of its total revenue may be higher or lower than the management's estimation and it will affect the revenue recognised. Significant judgment is involved in relation to the assessment of the total outcome and the stage of completion and is therefore considered as a key audit matter.	We have evaluated the design and implementation and control effectiveness on a sample basis of the key control in relation to revenue recognition that the Group had implemented. We assessed whether the stage of completion at the end of the reporting period was reasonable through critically challenging the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs of the construction contracts. We assessed the revenue recognised for the reporting period through checking the supporting documents, such as contracts, variation orders and payment certificates, and recalculated the revenue recognised based on the stage of completion to the total contract sum and work values from variation orders. We assessed reliability of management's assessment in budget cost by considering the historical actual costs and estimation of budget costs of completed project.

ECL RECOGNISED IN RESPECT OF CONTRACT ASSETS AND TRADE RECEIVABLES

Refer to notes 19 and 22 to the consolidated financial statements, accounting policies on pages 68 to 71.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2019, the Group had contract assets and trade receivables of approximately HK$82,873,000 and HK$27,522,000 respectively. The estimation of ECL adopted by the Group is based on the Group's historical credit loss experience and forward-looking information at the end of the reporting period. ECL are assessed on an individual basis for customers with significant balance and collectively using a provision matrix with appropriate groupings. We have identified ECL recognised in respect of contract assets and trade receivables as a key audit matter because the estimation of ECL requires a high level of management judgement and due to the significance of the amounts involved.	We have evaluated the design and implementation of key control that the Group has implemented manage and monitor its credit risk and measure ECL. We obtained and reviewed the management's assessment of ECL in respect of contract assets and trade receivables. We have assessed the reasonableness of management's estimation by evaluating the historical loss rates, current economic conditions and forward-looking information and examining the actual losses recorded and assessing whether there was an indication of management bias when recognising ECL.

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.

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 are responsible for overseeing the Group's financial reporting process.

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

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

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

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.

- 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.

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

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. Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
19 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*	**230,066**	280,061
Cost of sales and services		**(197,269)**	(223,628)
Gross profit		**32,797**	56,433
Other income	*8*	**4,975**	828
Selling and distribution expenses		**(6,350)**	(7,928)
Administrative expenses		**(28,795)**	(41,335)
Finance costs	*9*	**(1,316)**	(2,414)
Profit before taxation		**1,311**	5,584
Income tax expenses	*10*	**(542)**	(3,256)
Profit and total comprehensive income for the year attributable to the owners of the Company	*11*	**769**	2,328
Earnings per share:			
Basic and diluted (HK cents)	*15*	**0.10**	0.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		As at 31 March	
		2019	2018
	Notes	**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment	*16*	**25,575**	26,659
Prepayment and deposits paid for life insurance policies	*17*	**5,459**	5,250
		31,034	31,909
Current assets			
Inventories	*18*	**3,432**	7,525
Contract assets	*22*	**82,873**	—
Amounts due from customers for contract work	*21*	**—**	54,500
Trade receivables	*19*	**27,522**	37,955
Retention monies receivables	*19*	**—**	17,479
Deposits, prepayments and other receivables	*20*	**14,626**	10,890
Tax recoverable		**2,394**	2,987
Pledged bank deposits	*23*	**8,069**	8,057
Bank balances and cash	*23*	**56,483**	63,727
		195,399	203,120
Current liabilities			
Trade and bills payables	*24*	**11,623**	30,915
Contract liabilities	*22*	**1,883**	—
Amounts due to customers for contract work	*21*	**—**	998
Retention monies payables		**3,166**	2,357
Accrual and other payables	*25*	**1,776**	5,116
Bank borrowings	*26*	**38,861**	26,820
		57,309	66,206
Net current assets		**138,090**	136,914
Total assets less current liabilities		**169,124**	168,823
Non-current liability			
Deferred tax liability	*28*	**57**	263
		169,067	168,560

As at 31 March 2019

	Notes	As at 31 March 2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	*29*	**8,000**	8,000
Reserves		**161,067**	160,560
		169,067	168,560

The consolidated financial statements on page 45 to 113 were approved and authorised for issue by the board of directors on 19 June 2019 and are signed on its behalf by:

Lo Wing Cheung	**Fung Pik Mei**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note i)*	Retained profits HK$'000	Total HK$'000
At 1 April 2017	–	–	5,024	49,268	54,292
Profit and total comprehensive income for the year	–	–	–	2,328	2,328
Capitalisation issue of shares *(note 29(d))*	6,000	(6,000)	–	–	–
Issue of ordinary shares upon listing of the Company *(note 29(e))*	2,000	128,000	–	–	130,000
Share issue expenses	–	(18,060)	–	–	(18,060)
At 31 March 2018 (as originally stated)	**8,000**	**103,940**	**5,024**	**51,596**	**168,560**
Effect of change in accounting policies *(note 2(iii))*	**–**	**–**	**–**	**(262)**	**(262)**
At 1 April 2018 (as restated)	**8,000**	**103,940**	**5,024**	**51,334**	**168,298**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**769**	**769**
At 31 March 2019	**8,000**	**103,940**	**5,024**	**52,103**	**169,067**

Note:

*(i) Capital reserve represented the difference between the nominal amount of the share capital and share premium of Fortuna Enterprise Holdings Limited ("**Fortuna**") and the nominal amount of the shares issued by the Company pursuant to a group reorganisation.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 **HK$'000**	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**1,311**	5,584
Adjustments for:		
Finance costs	**1,316**	2,414
Bank interest income	**(12)**	(10)
Interest income from deposits paid for life insurance policies	**(215)**	(208)
Mortgage loan interest reimbursed from a related company	**–**	(129)
Amortisation of prepayment paid for life insurance policies	**6**	9
Impairment loss on trade receivables	**116**	282
Reversal of impairment loss on trade receivables	**(50)**	–
Impairment loss on contract assets	**1,050**	–
Reversal of impairment loss on contract assets	**(200)**	–
Depreciation of property, plant and equipment	**1,714**	776
Written off/loss on disposal of property, plant and equipment	**68**	156
Operating cash flows before movements in working capital	**5,104**	8,874
Decrease (increase) in inventories	**4,093**	(1,335)
Increase in contract assets	**(11,872)**	–
Decrease (increase) in trade receivables	**10,233**	(5,643)
Increase in retention monies receivables	**–**	(2,248)
Increase in deposits, prepayments and other receivables	**(3,736)**	(4,870)
Increase in amounts due from customers for contract work	**–**	(13,744)
Decrease in trade and bills payables	**(19,292)**	(9,645)
Decrease in contract liabilities	**(2,580)**	–
Increase in retention monies payables	**809**	1,431
Increase in accrual and other payables	**125**	3,394
Decrease in amounts due to customers for contract work	**–**	(760)
Cash used in generated from operations	**(17,116)**	(24,546)
Hong Kong Profits Tax paid	**(155)**	(10,619)
NET CASH USED IN OPERATING ACTIVITIES	**(17,271)**	(35,165)
INVESTING ACTIVITIES		
Bank interest income received	**12**	10
Purchases of property, plant and equipment	**(698)**	(25,370)
Placement of pledged bank deposits	**(8,069)**	(13,008)
Withdrawal of pledged bank deposits	**8,057**	23,000
Repayment from related companies	**–**	11,320
Repayment from directors	**–**	24
NET CASH USED IN INVESTING ACTIVITIES	**(698)**	(4,024)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2019

	2019	2018
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Interest paid	**(1,316)**	(2,414)
Mortgage loan interest reimbursed from a related company	**—**	129
Proceeds from issue of ordinary shares upon listing of the Company	**—**	130,000
Share issue expenses	**—**	(18,060)
New bank borrowings raised	**107,900**	83,115
Repayments of bank borrowings	**(95,859)**	(97,174)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**10,725**	95,596
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(7,244)**	56,407
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**63,727**	7,320
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**56,483**	63,727

1. GENERAL INFORMATION

Twintek Investment 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 8 February 2017 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2018. Its ultimate and immediate holding company is also Helios Enterprise Holding Limited ("**Helios**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability. Its ultimate controlling parties are Mr. Lo Wing Cheung and Ms. Fung Pik Mei ("**Controlling shareholders**"). The addresses of the registered office of the Company is PO Box 309 Ugland House Grand Cayman KY1-1104, the Cayman Islands and the principal place of business of the Company is Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

The Company is engaged in investment holding and its major operating subsidiaries are mainly engaged in sales of building materials and provision of construction and engineering services.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 Hong Kong Institute of Certified Public Accountants ("**the HKICPA**").

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 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. Except as described 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 positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9 *Financial instruments*

HKFRS 9 replaces the provisions 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 as at 1 April 2018.

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.

(i) Classification and measurement of financial instruments

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 existed that date and concludes that all recognised financial assets and liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39.

(ii) 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 model. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

As at 1 April 2018, an additional allowance has been recognised on the Group's trade receivables and contract assets of approximately HK$134,000 and HK$128,000 respectively, thereby reducing the opening retained profits of approximately HK$262,000.

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

HKFRS 9 *Financial instruments* (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 April 2018.

Line items that were not affected by the adjustments have not been included.

All the financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis as they were under HKAS 39.

	Carrying amount at 31 March 2018 (HKAS 39) HK$'000	Adoption of HKFRS 9 — Reclassification HK$'000	Adoption of HKFRS 9 — Remeasurement HK$'000	Carrying amount at 1 April 2018 (HKFRS 9)* HK$'000
Financial assets				
Loan and receivable				
— Trade receivables	37,955	(37,955)	—	—
— Retention monies receivables	17,479	(17,479)	—	—
— Deposits and other receivables	2,276	(2,276)	—	—
— Deposit paid for life insurance policies	5,030	(5,030)	—	
— Pledged bank deposits	8,057	(8,057)	—	—
— Bank balances and cash	63,727	(63,727)	—	—
	134,524	(134,524)	—	—
At amortised cost				
— Trade receivables	—	37,955	(134)	37,821
— Retention monies receivables	—	17,479	(128)	17,351
— Deposits and other receivables	—	2,276	—	2,276
— Deposit paid for life insurance policies	—	5,030	—	5,030
— Pledged bank deposits	—	8,057	—	8,057
— Bank balances and cash	—	63,727	—	63,727
	—	134,524	(262)	134,262

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

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

HKFRS 9 *Financial instruments* (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9 (Continued)

The table below summarises the impact of transition to HKFRS 9 on retained profits at 1 April 2018:

	Retained profits HK$'000
Balance at 31 March 2018 as originally stated	51,596
Recognition of additional ECL	(262)
Balance at 1 April 2018 as restated	51,334

There were no financial assets or financial liabilities which the Group had previously designated as at fair value through profit or loss ("**FVTPL**") under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

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 profits and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 11 Construction Contracts and HKAS 18 Revenue and the related interpretations.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below. There was no impact of transition to HKFRS 15 on the retained profits at 1 April 2018.

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

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

The amount of adjustment 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 changes 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
Contract assets	*a*	—	71,979	71,979**
Retention monies receivables	*a*	17,479	(17,479)	—
Amounts due from customers for contract work	*a*	54,500	(54,500)	—
Amounts due to customers for contract work	*a*	998	(998)	—
Accrual and other payables	*b*	5,116	(3,496)	1,620
Contract liabilities	*a, b*	—	4,494	4,494

Notes:

(a) *In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Retentions monies receivables of approximately HK$17,479,000 and amounts due from customers for contract work of approximately HK$54,500,000 were reclassified to contract assets, whilst amounts due to customers for contract work of approximately HK$998,000 were reclassified to contract liabilities.*

(b) *The Group receives advances from customers in respect of sale of goods and construction contract. Prior to the adoption of HKFRS 15, the Group presented these advances in accrual and other payables in the consolidated statement of financial position. As at 1 April 2018, the receipt in advances of approximately HK$3,496,000 previously included in accrual and other payables were reclassified to contract liabilities.*

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

** *The amount represents the balance before the recognition of additional ECL of approximately HK$128,000 upon the adoption of HKFRS 9. After the adoption of HKFRS 9, the balance would be approximately HK$71,851,000.*

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

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

The following tables summarise the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 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. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

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

	Notes	**As reported** HK$'000	**Impact of adopting HKFRS 15** HK$'000	**Amounts excluding impacts of adopting HKFRS 15** HK$'000
Contract assets	*a*	82,873	(82,873)	—
Retention monies receivables	*a*	—	18,275	18,275
Amounts due from customers for contract work	*a*	—	64,598	64,598
Amounts due to customers for contract work	*a*	—	1,172	1,172
Accrual and other payables	*b*	1,776	711	2,487
Contract liabilities	*a, b*	1,883	(1,883)	—

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Retentions monies receivables of approximately HK$18,275,000 and amounts due from customers for contract work of approximately HK$64,598,000 were reclassified to contract assets, whilst amounts due to customers for contract work of approximately HK$1,172,000 were reclassified to contract liabilities.

(b) The Group receives advances from customers in respect of sale of goods and construction contract. Prior to the adoption of HKFRS 15, the Group presented these advances in accrual and other payables in the consolidated statement of financial position. As at 31 March 2019, the receipt in advances of approximately HK$711,000 previously included in accrual and other payables were reclassified to contract liabilities.

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
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	Amendments to 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]

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 amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 approximately of HK$1,010,000 as disclosed in note 31. Out of this balance, an amount of approximately HK$30,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-of-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on historical cost basis.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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 (i.e. its subsidiaries) 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 reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over 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 entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group' 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 goods 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.

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

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 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.

The Group recognised revenue from the following major sources:

- sales of goods
- construction contracts
- royalty income

Sales of goods

Revenue from sale of goods is recognised at the point when the control of the good is transferred to the customers (generally on delivery of the goods to location specified by customers).

Construction contracts

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Input method)

Revenue from construction contract is recognised over time.

The progress towards complete satisfaction of a performance obligation is measured based on input method. Input methods recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended and costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

Revenue from Royalty income

Royalty income is recognised at the point when the counterparty delivered their own products under the trademark owned by the Group to end user.

Policy applicable to the year ended 31 March 2018

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

Revenue from the sale of goods is recognised when the receipt of goods is acknowledged by customers and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue recognition for construction contracts in relation to projects involving sales of building material with related installation services included in the segment of construction works is set out in the section headed "Construction contracts" below.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts (applicable to the year ended 31 March 2018)

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

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

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

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

Borrowing costs

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

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

Retirement benefits cost and termination benefits

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

The Group's net obligations in respect of long service payment to its employees on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of 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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition 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.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes 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.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand 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 cash and short-term deposits as defined above.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that 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 ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation 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 (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

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 either 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Financial assets (continued)

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.

(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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost 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.

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 investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for contract assets and trade receivables. The ECL on these financial assets are estimated on individual basis for significant balances or collectively by using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

<u>Significant increase in credit risk</u>

In assessing whether the credit risk on a financial instrument 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 since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- 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;

- 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.

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)

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

Despite the foregoing, the Group assumes that the credit risk on a financial 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) the financial instrument 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 fulfil 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 "performing". Performing 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).

Credit-impaired financial assets

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.

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 (Continued)

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 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, or in the case of trade receivables, when the amounts are over 5 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. 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; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL 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 financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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 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.

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 derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 deposits paid for life insurance policies, trade receivables, retention monies receivables, deposits and other receivables, amounts due from related companies and directors, bank balances and cash and pledged bank deposits) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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 bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial assets, such as trade receivables, retention monies receivables 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, 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 receivables, retention monies receivables, deposits and other receivables and amounts due from directors and related companies, 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 receivables, retention monies receivables 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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.

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.

Other financial liabilities

Other financial liabilities including trade payables, bills payables, retention monies payables, accrual and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Financial liabilities and equity instruments (Continued)

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.

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.

4. 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 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.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Construction contracts revenue recognition

The Group recognised contract revenue of a construction contract according to the management's estimation of the stage of completion of the contract by reference to the accumulated contract costs recognised over the budget cost at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue recognised and the contract assets (liabilities) as detailed in note 22.

Depreciation of property, plant and equipment

Property, 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.

ECL recognised in respect of trade receivables and contract assets

ECL in respect of trade receivables and contract assets are assessed on an individual basis for customers with significant balance and collectively using a provision matrix with appropriate groupings. The impairment provisions for trade receivables and contract assets are based on assumptions about ECL. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that trade receivable and contract assets are outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2019, the carrying values of trade receivables is approximately HK$27,522,000 (1 April 2018: HK$37,821,000) net of allowance for doubtful debt of approximately HK$1,522,000 (1 April 2018: HK$1,456,000).

As at 31 March 2019, the carrying amounts of contract assets is approximately HK$82,873,000 (1 April 2018: HK$71,851,000) net of allowance for doubtful debt of approximately HK$1,586,000 (1 April 2018: HK$736,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 26, net of bank balances and cash disclosed in note 23 and equity attributable to 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 costs of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets stated at amortised cost/loans and receivables (including bank balances and cash)	**102,100**	134,524
Financial liabilities		
Financial liabilities stated at amortised cost	**55,174**	61,712

Financial risk management objectives and policies

The Group's major financial instruments include deposits paid for life insurance policies, trade receivables, deposits and other receivables, pledged bank deposits, bank balances and cash, trade payables, bills payables, accrual and other payables, retention monies payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

(i) *Currency risk*

The Group has foreign currency purchases, which expose the Group to foreign currency risk. For the year ended 31 March 2019, 15% (2018: 17%) of the Group's cost of sales and services are denominated in currencies other than the functional currency of the respective group's entities. The Group currently does not have hedging policy to minimise the foreign exchange risk. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("**RMB**")	**4,263**	—	**—**	—
United States Dollar ("**USD**")	**7,810**	9,411	**(489)**	—
EURO ("**EUR**")	**—**	—	**(4,844)**	(13,330)

<u>Sensitivity analysis</u>

The Group is mainly exposed to the currency risk of EUR and RMB. No sensitivity analysis was prepared for USD of the group entity with functional currency of HK$ since HK$ is pegged to USD and the exposure is insignificant.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies for the year ended 31 March 2019. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rate.

A positive number below indicates an increase (2018: increase) in post-tax profit where HK$ strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) *Currency risk (Continued)*

Sensitivity analysis (Continued)

Effect on post-tax profit:

	2019 HK$'000	2018 HK$'000
RMB	**(178)**	—
EUR	**202**	554

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (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 action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 23) and variable-rate bank borrowings (see note 26). 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's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the Group's bank balances and the fluctuation of prime rates, bank's best lending rate and HIBOR arising from the Group's bank borrowings denominated in HK$.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. For the year ended 31 March 2019, a 50 basis points (2018: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$73,000 (2018: decrease/increase by HK$154,000).

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

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.

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

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

The credit risk on pledged bank deposits and bank balances and deposits paid for life insurance policies are limited because the counterparties are banks and insurance company with high credit ratings assigned by international credit-rating agencies.

Starting from 1 April 2018, for contract assets and 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 on an individual basis for customer with significant balances and collectively by using 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 financial assets, 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 deposits and other receivables to be low credit risk and thus the impairment measurement is based on 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:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increase in credit risk on other financial instruments of the debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other 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.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	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

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail 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:

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
Contract assets					
— individually assessed	Default	Lifetime ECL (credit impaired)	1,444	(1,444)	—
— individually assessed	Doubtful	Lifetime ECL (not credit impaired)	83,015	(142)	82,873
			84,459	(1,586)	82,873
Trade receivables					
— individually assessed	Default	Lifetime ECL (credit impaired)	1,272	(1,272)	—
— collectively assessed	Doubtful	Lifetime ECL (not credit impaired)	27,772	(250)	27,522
			29,044	(1,522)	27,522
Deposit and other receivables	Performing	12-month ECL	4,781	—	4,781

The Group's concentration of credit risk by geographical locations is all in Hong Kong as at 31 March 2019 (2018: all).

The Group has concentration of credit risk as 29% (2018: 35%) and 61% (2018: 71%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the provision of construction and engineering services segment.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2019, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$31,800,000 (2018: HK$19,400,000) respectively. Details of which are set out in note 26.

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. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table

	At 31 March 2019		
	Within 1 year or on demand HK$'000	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities			
Trade and bills payables	11,623	11,623	11,623
Retention monies payables	3,166	3,166	3,166
Accrual and other payables	1,524	1,524	1,524
Bank borrowings *(Note)*	38,861	38,861	38,861
	55,174	55,174	55,174

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table (Continued)

	At 31 March 2018		
	Within 1 year or on demand HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities			
Trade and bills payables	30,915	30,915	30,915
Retention monies payables	2,357	2,357	2,357
Accrual and other payables	1,620	1,620	1,620
Bank borrowings *(Note)*	26,820	26,820	26,820
	61,712	61,712	61,712

Note:

Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above analysis. As at 31 March 2019, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$38,861,000 (2018: HK$26,820,000). 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$39,883,000 (2018: HK$27,917,000).

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.

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 contractual undiscounted payments.

The table includes both interest and principal cash flows. To the extent that interest flows are based on a floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Maturity Analysis

	At 31 March 2019					
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and bills payables	11,623	–	–	–	11,623	11,623
Retention monies payables	3,166	–	–	–	3,166	3,166
Accrual and other payables	1,524	–	–	–	1,524	1,524
Bank borrowings	33,755	605	1,451	4,072	39,883	38,861
	50,068	605	1,451	4,072	56,196	55,174

	At 31 March 2018					
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and bills payables	30,915	–	–	–	30,915	30,915
Retention monies payables	2,357	–	–	–	2,357	2,357
Accrual and other payables	1,620	–	–	–	1,620	1,620
Bank borrowings	21,016	821	1,561	4,519	27,917	26,820
	55,908	821	1,561	4,519	62,809	61,712

Fair value measurements recognised in the consolidated statement of financial position

The directors of the Company consider that the carrying amounts of current financial assets and current 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 assets recorded at amortised cost in the consolidated financial statements approximate to their fair values due to insignificant impact of discounting.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of building materials and construction contracts. An analysis of the Group's revenue for the year is as follows:

	Year ended 31 March 2019 HK$'000	Year ended 31 March 2018* HK$'000
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 March 2019		
Disaggregation by major products or services lines		
Sales of building materials		
• Gypsum block	**25,239**	49,396
• Wooden flooring	**6,941**	513
• Others	**299**	309
Revenue from construction contracts		
• Gypsum block	**32,003**	42,917
• Wooden flooring	**144,310**	159,839
• Others	**21,274**	27,087
	230,066	280,061

* *The amounts for the year ended 31 March 2018 were recognised under HKAS 18 and HKAS11 and related interpretations.*

Disaggregation of the Group's revenue by timing of recognition

	Year ended 31 March 2019 HK$'000
At a point in time	**32,479**
Over time	**197,587**
Total revenue from contract with customers	**230,066**

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 satisfied) is approximately HK$187,908,000. The amount represents revenue expected to be recognised in the future from construction contract. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12–18 months.

The above amounts do not include variable consideration which is constrained.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

Information reported to the directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in nature of revenue. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

— Sales of building materials — trading of goods on building materials; and

— Construction contracts — provision of construction and engineering services.

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

For the year ended 31 March 2019

	Sales of building materials HK$'000	**Construction contracts HK$'000**	**Total HK$'000**
Segment revenue			
External sales	**32,479**	**197,587**	**230,066**
Segment profit	**7,920**	**23,961**	**31,881**
Unallocated income			**4,725**
Unallocated corporate expenses			**(33,979)**
Unallocated finance costs			**(1,316)**
Profit before taxation			**1,311**

For the year ended 31 March 2018

	Sales of building materials HK$'000	Construction contracts HK$'000	Total HK$'000
Segment revenue			
External sales	50,218	229,843	280,061
Segment profit	18,468	37,683	56,151
Unallocated income			828
Unallocated corporate expenses			(48,981)
Unallocated finance costs			(2,414)
Profit before taxation			5,584

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and selling and distribution expenses, directors' emoluments, certain other income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2019 **HK$'000**	2018 HK$'000
Sales of building materials	**4,780**	7,207
Construction contracts	**105,615**	102,727
Total segment assets	**110,395**	109,934
Unallocated corporate assets	**116,038**	125,095
Total assets	**226,433**	235,029

Segment liabilities

	2019 **HK$'000**	2018 HK$'000
Sales of building materials	**2,040**	9,441
Construction contracts	**14,632**	28,325
Total segment liabilities	**16,672**	37,766
Unallocated corporate liabilities	**40,694**	28,703
Total liabilities	**57,366**	66,469

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

— only assets of contract assets, amounts due from customers for contract work, trade receivables and retention monies receivables are allocated to operating segments; and

— only liabilities of contract liabilities, amounts due to customers for contract work, trade and bills payables, retention monies payables and certain accrual and other payables are allocated to operating segments.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2019

	Sales of building materials HK$'000	Construction contracts HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Addition to non-current assets *(Note)*	–	–	698	698
Depreciation of property, plant and equipment	–	–	1,714	1,714
Written off of property, plant and equipment	–	–	68	68
Impairment loss on trade receivables	–	116	–	116
Impairment loss on contract assets	–	1,050	–	1,050
Reversal of impairment loss on trade receivables	–	(50)	–	(50)
Reversal of impairment loss on contract assets	–	(200)	–	(200)
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or segment assets:				
Interest income from deposits paid for life insurance policies	–	–	(215)	(215)
Bank interest income	–	–	(12)	(12)
Finance cost	–	–	1,316	1,316
Income tax expense	–	–	542	542

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2018

	Sales of building materials HK$'000	Construction contracts HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Addition to non-current assets *(Note)*	–	–	25,370	25,370
Depreciation of property, plant and equipment	–	–	776	776
Loss on disposal of property, plant and equipment	–	–	156	156
Impairment loss on trade receivables	215	67	–	282
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or segment assets:				
Interest income from deposits paid for life insurance policies	–	–	(208)	(208)
Bank interest income	–	–	(10)	(10)
Mortgage loan interest reimbursed from a related company	–	–	(129)	(129)
Finance cost	–	–	2,414	2,414
Income tax expense	–	–	3,256	3,256

Note: Non-current assets excluded prepayment and deposits paid for life insurance policies.

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A[1, 2]	**31,345**	43,044
Customer B[1, 2]	**N/A***	40,899
Customer C[1, 2]	**29,127**	N/A*
Customer D[1]	**23,758**	N/A*

1 *Revenue from construction contracts segment*

2 *Revenue from sales of building materials segment*

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

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations and non-current assets are located in Hong Kong, therefore, no geographical information was presented.

8. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**12**	10
Interest income from deposits paid for life insurance policies	**215**	208
Mortgage loan interest reimbursed from a related company	**—**	129
Net foreign exchange gain	**1,125**	—
Sample income	**—**	117
Rental income *(Note)*	**—**	68
Royalty income	**3,348**	—
Reversal of impairment loss on trade receivables	**50**	—
Reversal of impairment loss on contract assets	**200**	—
Others	**25**	296
	4,975	828

Note: The amount represented the remaining rental income received from the former tenants upon the acquisition of the Group's office premises.

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**1,316**	2,414

10. INCOME TAX EXPENSES

	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**434**	3,111
Under-provision in prior year	**314**	—
Deferred taxation *(note 28)*	**(206)**	145
	542	3,256

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 March 2018, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

Macau Complementary Income Tax is calculated at 12% (2018: 12%) of the estimated assessable profits for the year ended 31 March 2019.

No Macau Complementary Income Tax has been provided since there were no assessable profits generated for the years ended 31 March 2019 and 2018.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands or the BVI for the years ended 31 March 2019 and 2018.

Under the Law of the People Republic of China ("**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of EIT Law, the tax rate of a PRC subsidiary is 25%. No EIT has been provided since there were no assessable profits generated for the years ended 31 March 2019.

10. INCOME TAX EXPENSES (Continued)

The income tax expense for the years 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
Profit before taxation	**1,311**	5,584
Tax at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**216**	921
Tax effect of expenses not deductible for tax purposes	**197**	2,365
Tax effect of tax exemption granted *(Note)*	**(20)**	(30)
Income tax at concessionary rate of 8.25% in Hong Kong	**(165)**	—
Under-provision in prior years	**314**	—
Income tax expense for the year	**542**	3,256

Details of deferred tax liability are set out in note 28.

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

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments *(note 12)*	**4,817**	4,033
Other staff costs	**10,823**	9,864
Contribution to defined contribution retirement benefits scheme (excluding directors' and chief executive's emoluments)	**405**	356
Total staff costs	**16,045**	14,253
Auditor's remuneration	**1,038**	700
Depreciation of property, plant and equipment	**1,714**	776
Professional expenses incurred in connection with the Company's listing	**—**	13,670
Net foreign exchange losses	**—**	2,139
Written off/loss on disposal of property, plant and equipment	**68**	156
Impairment loss on trade receivables	**116**	282
Impairment loss on contract assets	**1,050**	—
Amortisation of prepayment paid for life insurance policies	**6**	9
Minimum lease payments paid under operating lease in respect of rented premises (excluding directors' quarter)	**1,382**	1,412
Amount of inventories recognised as an expense	**29,405**	44,086

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of directors' and chief executive's emoluments are as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:	Fee HK$'000	Salaries HK$'000	Discretionary bonuses *(Note i)* HK$'000	Contribution to defined contribution retirement benefits scheme HK$'000	Estimated money value of non-cash benefits *(Note ii)* HK$'000	Total HK$'000
Year ended 31 March 2019						
Executive directors						
Mr. Lo Wing Cheung ("**Mr. Lo**")	–	1,736	230	18	774	2,758
Ms. Fung Pik Mei ("**Ms. Fung**")	–	1,020	221	18	–	1,259
Non-executive director						
Mr. Wan Ho Yin	200	–	–	–	–	200
Independent non-executive directors						
Mr. Shu Wa Tung Laurence	200	–	–	–	–	200
Mr. Tam Wai Tak Victor	200	–	–	–	–	200
Mr. Tam Wing Lok	200	–	–	–	–	200
	800	2,756	451	36	774	4,817
Year ended 31 March 2018						
Executive directors						
Mr. Lo	–	925	270	18	1,548	2,761
Ms. Fung	–	830	260	18	–	1,108
Non-executive director						
Mr. Wan Ho Yin *(Note iii)*	41	–	–	–	–	41
Independent non-executive directors						
Mr. Shu Wa Tung Laurence *(Note iv)*	41	–	–	–	–	41
Mr. Tam Wai Tak Victor *(Note iv)*	41	–	–	–	–	41
Mr. Tam Wing Lok *(Note iv)*	41	–	–	–	–	41
	164	1,755	530	36	1,548	4,033

Notes:

(i) The discretionary bonus is determined by the board of directors having regard to the performance of the relevant director and the operating results of the Group as a whole in respect of each financial year.

(ii) Included in the amount paid to Mr. Lo is estimated money value of a leased property for the directors' quarters and carpark. The leased carpark was terminated during the year ended 31 March 2018 while the leased directors' quarters were terminated during the years ended 31 March 2019.

(iii) Appointed on 22 June 2017.

(iv) Appointed on 19 December 2017.

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

None of the directors and chief executive of the Company waived or agreed to waive any emoluments paid by the Group for the years ended 31 March 2019 and 2018. No emoluments were paid by the Group to any directors or the chief executive of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 March 2019 and 2018.

Mr. Lo is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

13. EMPLOYEES' EMOLUMENTS

For the year ended 31 March 2019, of the five individuals with the highest emoluments in the Group, two (2018: two) were directors and the chief executive of the Company whose emoluments 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 and other benefits	**2,554**	2,899
Contribution to defined contribution retirement benefits scheme	**54**	54
	2,608	2,953

Their emoluments were within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	1

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2019 and 2018.

14. DIVIDEND

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

15. EARNINGS PER SHARE

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

	2019	2018
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the year attributable to owners of the Company (HK$'000)	**769**	2,328
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	**800,000**	640,548

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2018 have been retrospectively adjusted for the effects of the capitalisation issue of the ordinary shares of the Company as a result of Reorganisation as disclosed in note 29.

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 March 2019 and 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2017	1,330	833	1,033	832	4,028
Additions	22,083	2,264	672	351	25,370
Disposals	–	(403)	(79)	–	(482)
At 31 March 2018 and 1 April 2018	**23,413**	**2,694**	**1,626**	**1,183**	**28,916**
Additions	**–**	**392**	**306**	**–**	**698**
Written off	**–**	**(353)**	**(134)**	**–**	**(487)**
At 31 March 2019	**23,413**	**2,733**	**1,798**	**1,183**	**29,127**
ACCUMULATED DEPRECIATION					
At 1 April 2017	173	336	466	832	1,807
Charge for the year	136	372	217	51	776
Eliminated on disposals	–	(271)	(55)	–	(326)
At 31 March 2018 and 1 April 2018	**309**	**437**	**628**	**883**	**2,257**
Charge for the year	**749**	**561**	**316**	**88**	**1,714**
Eliminated on written off	**–**	**(347)**	**(72)**	**–**	**(419)**
At 31 March 2019	**1,058**	**651**	**872**	**971**	**3,552**
CARRYING VALUES					
At 31 March 2019	**22,355**	**2,082**	**926**	**212**	**25,575**
At 31 March 2018	23,104	2,257	998	300	26,659

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	1% or estimated useful life of 30 years
Leasehold improvements	Over the shorter of term of the lease or 5 years
Office equipment	20%
Motor vehicles	25%

As at 31 March 2019, the Group has pledged leasehold land and buildings with carry values of approximately HK$22,355,000 (2018: HK$23,104,000) to secure general banking facilities granted to the Group.

17. PREPAYMENT AND DEPOSITS PAID FOR LIFE INSURANCE POLICIES

On 29 August 2012 ("**Policy A**") and 18 September 2013 ("**Policy B**"), the Company entered into life insurance policies with an insurance company on Ms Fung Pik Mei. Under the policies, the beneficiary and policies holder is the Company. The Company is required to pay an upfront payment for the policies. The Company may request a partial surrender or full surrender of the policies at any time and receive cash back based on the value of the policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "**Cash Value**"). If such withdrawal is made at any time during the first to the thirty-fifth policy year for Policy A and the first to the thirty-forth policy year for Policy B, as appropriate, a pre-determined specified surrender charge would be imposed.

The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The deposit paid for the life insurance policies carry guaranteed interests at interest rates ranging from 3.87% to 4.0% plus a premium determined by the insurance company during the tenures of the policies. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policies, excluding the financial effect of surrender charge.

Particulars of the policies are as follows:

		Guaranteed interest rates	
Insured sum	**Upfront payment**	**First year**	**Second year and onwards**
Policy A:			
US$1,108,000 (equivalent to HK$8,591,000)	US$276,000 (equivalent to HK$2,140,000)	4% per annum	2% per annum
Policy B:			
US$1,018,000 (equivalent to HK$7,893,000)	US$280,000 (equivalent to HK$2,171,000)	4% per annum	2% per annum

The carrying values of prepayment and deposits paid for life insurance policies at the end of each reporting period are set out as below:

	2019	2018
	HK$'000	HK$'000
Deposits paid	**5,245**	5,030
Prepayment	**214**	220
	5,459	5,250

17. PREPAYMENT AND DEPOSITS PAID FOR LIFE INSURANCE POLICIES (Continued)

The carrying values of the prepayment and deposits paid for life insurance policies as at 31 March 2019 and 2018 approximates the Cash Value of the insurance policies and the expected life of the policies remained unchanged from the initial recognition. The entire balance of the life insurance policies are denominated in USD.

Included in the prepayment and deposits paid for life insurance policies are the following amount denominated in a currency other than the functional currency of relevant group entities:

	2019 **HK$'000**	2018 HK$'000
USD	**5,459**	5,250

18. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Materials and consumables for construction works and trading purpose	**2,324**	862
Goods in transit	**1,108**	6,663
	3,432	7,525

19. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES

The following is an analysis of trade receivables and retention monies receivables at the end of each reporting period:

	31 March 2019 **HK$'000**	1 April 2018 HK$'000	31 March 2018 HK$'000
Trade receivables	**29,044**	39,277	39,277
Less: impairment loss on trade receivables	**(1,522)**	(1,456)	(1,322)
	27,522	37,821	37,955
Retention monies receivables	**—**	—	18,087
Less: impairment loss on retention monies receivables	**—**	—	(608)
	—	—	17,479
Total trade receivables/retention monies receivables	**27,522**	37,821	55,434

19. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES (Continued)

The average credit period granted to trade customers other than retention monies receivables ranged from 30 to 60 days. The terms and conditions in relation to the release of retention monies vary from contract to contract, which may be subject to practical completion, the expiry of the maintenance period or a pre-agreed time period. Retention monies receivables are included in current assets as the Group expects to realise these within its normal operating cycle. The Group does not hold any collateral over these balances.

As at 31 March 2018, the Group has retention monies receivables of approximately HK$17,479,000. Upon the adoption of HKFRS 15, the retention monies receivables has been reclassified to contract assets as of 1 April 2018.

As at 31 March 2018, in the opinion of directors of the Company, retention monies receivable of approximately HK$12,306,000 and HK$5,173,000 are expected to be recovered after one year and within one year respectively.

The following is an aging analysis of trade receivables net of impairment loss of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2019	2018
	HK$'000	HK$'000
Within 30 days	**2,856**	30,679
31 to 60 days	**10,487**	2,474
61 to 90 days	**4,142**	2,996
Over 90 days	**10,037**	1,806
	27,522	37,955

As at 31 March 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$5,670,000 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and they are still considered as recoverable. The average age of these receivables is 46 days.

The aged analysis of trade receivables which were past due but not impaired is as follows:

	31 March 2018
	HK$'000
Past due but not impaired:	
Less than 90 days past due	4,542
Past due over 90 days	1,128
	5,670

Before accepting any new customers, the Group uses internal credit approval procedures to assess the potential customer's credit quality and defines credit limits for each customer. All balance of trade receivables were subject to case by case impairment assessment.

19. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES (Continued)

The movement in the allowance for impairment of trade receivables is set out below:

	2018 HK$'000
At the beginning of the year	1,040
Impairment loss recognised on trade receivables	282
At the end of the year	1,322

As at 31 March 2018, included in the allowance for impairment of trade receivables were individually impaired trade receivables with an aggregate balance of approximately HK$1,322,000. These individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

Starting from 1 April 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated individually on significant customer or collectively by using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

	Lifetime ECL — not credit impaired HK$'000	**Lifetime ECL — credit impaired** HK$'000	**Total** HK$'000
At 31 March 2018	—	1,322	1,322
Impact on adoption of HKFRS 9	134	—	134
At 1 April 2018	134	1,322	1,456
Increase during the year	116	—	116
Reversal of impairment losses	—	(50)	(50)
At 31 March 2019	250	1,272	1,522

As at 31 March 2019, included in the allowance for impairment of trade receivables are estimated on an individually for significant balance and collectively by using a provision matrix. 1.26% average loss rate was applied.

19. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES (Continued)

The movement in the allowance for impairment of trade receivables is set out below:

	31 March 2019	1 April 2018	31 March 2018
	HK$'000	HK$'000	HK$'000
At the beginning of the year	**1,456**	1,322	1,040
Effect on adoption of HKFRS 9	**—**	134	—
Impairment loss recognised on trade receivables	**116**	—	282
Impairment loss reversed	**(50)**	—	—
At the end of the year	**1,522**	1,456	1,322

The movement in the allowance for impairment of retention monies receivables is set out below:

	2018
	HK$'000
At the beginning of the year	608
Impairment loss recognised on retention monies receivables	—
At the end of the year	608

As at 31 March 2018, included in the allowance for impairment of retention monies receivables are individually impaired retention monies receivables with an aggregate balance of, approximately HK$608,000. These individually impaired receivables are long outstanding.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Deposits	**1,071**	1,975
Prepayments	**9,845**	8,614
Other receivables	**3,710**	301
	14,626	10,890

Included in deposits and prepayments is the following amount denominated in a currency other than the functional currency of relevant group entities:

	2019	2018
	HK$'000	HK$'000
RMB	**4,943**	—
USD	**2,351**	4,161

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	31 March 2018 HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred plus recognised profits less recognised losses	239,650
Less: progress billings	(186,148)
	53,502
Analysed for reporting purpose as:	
Amounts due from customers for contract work	54,500
Amounts due to customers for contract work	(998)
	53,502

Upon the adoption of HKFRS 15, amounts due from customers for contract work and amounts due to customers for contract work has been reclassified to contract assets and contract liabilities, respectively as at 1 April 2018.

As at 31 March 2018, retention monies held by customers for contract works amounted to approximately HK$18,087,000, net off with impairment allowance of HK$608,000 (incurred credit loss). Details of which are set out in note 19.

As at 31 March 2018, the retention monies held by the Group for contract works amounted to approximately HK$2,357,000 is included in retention monies payables.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 March 2019 HK$'000	1 April 2018 HK$'000
Analysed as current:		
Retention monies receivables	**19,861**	18,087
Less: impairment loss recognised	**(1,586)**	(736)
	18,275	17,351
Amounts due from customers for contract work	**64,598**	54,500
	82,873	71,851

22. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of work. The contract assets are transferred to trade receivables when the rights become unconditional. Upon completion of work and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

	Lifetime ECL — not credit impaired HK$'000	**Lifetime ECL — credit impaired** HK$'000	**Total** HK$'000
At 31 March 2018	—	608	608
Impact on adoption of HKFRS 9	128	—	128
At 1 April 2018	128	608	736
Increase during the year	14	1,036	1,050
Reversal of impairment losses	—	(200)	(200)
At 31 March 2019	142	1,444	1,586

At as 31 March 2019, the ECL on contract assets are estimated on an individual basis for significant balance. Approximately of HK$1,050,000 are recognised as provision for ECL on contract assets.

(b) Contract liabilities

	31 March 2019 **HK$'000**	1 April 2018 HK$'000
Analysed as current:		
Receipt in advance	**711**	3,496
Amounts due to customers for contract works	**1,172**	998
	1,883	4,494

Contract liabilities represent advance from customers in respect of sale of goods and construction contract. In general, the Group receives certain percentage of the contract sum when enter the agreements depends on the negotiation with individual customers. These deposits are recognised as contract liabilities until the services are rendered.

Revenue recognised during the year ended 31 March 2019 that was included in the contract liabilities as at 1 April 2018 is approximately HK$4,026,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

23. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits have been pledged to secure short-term bank borrowings and undrawn facilities and are therefore classified as current assets.

The pledged deposits carry fixed interest rate of 0.1% per annum (2018: 0.05% to 0.25% per annum) for the year ended 31 March 2019.

Bank balances and cash

Bank balances carry interest at market rates of 0.1% per annum (2018: 0.1% to 0.2% per annum) for the year ended 31 March 2019.

24. TRADE AND BILLS PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables	**8,160**	23,673
Bills payables	**3,463**	7,242
	11,623	30,915

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

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**5,844**	20,148
31 to 90 days	**4,532**	9,528
91 to 180 days	**878**	1,232
Over 180 days	**369**	7
	11,623	30,915

The average credit period on purchases of goods is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in the trade and bills payables are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2019 **HK$'000**	2018 HK$'000
EUR	**4,844**	13,330
USD	**489**	—

25. ACCRUAL AND OTHER PAYABLES

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Accrual	**1,518**	1,617	1,617
Receipt in advances	**—**	—	3,496
Other payables	**258**	3	3
	1,776	1,620	5,116

As at 31 March 2018, the Group has receipt in advances of approximately HK$3,496,000. Upon the adoption of HKFRS 15, such receipt in advances has been reclassified to contract liabilities as at 1 April 2018.

26. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured	**37,598**	26,820
Unsecured	**1,263**	—
	38,861	26,820

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

	2019 HK$'000	2018 HK$'000
Within one year	**33,469**	20,724
After one year but within two years	**498**	704
After two years but within five years	**1,180**	1,277
Over five years	**3,714**	4,115
	38,861	26,820
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	**5,392**	6,096
Carrying amount repayable that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	**33,469**	20,724
Amount shown under current liabilities	**38,861**	26,820

26. BANK BORROWINGS (Continued)

In addition, the Group has variable-rate bank borrowings and the contractual maturity dates are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	33,469	20,724
After one year but within two years	498	704
After two years but within five years	1,180	1,277
Over five years	3,714	4,115
	38,861	26,820

The ranges of effective interest rates (which are also equal to contracted interest rates) per annum on the Group's bank borrowings are as follows:

	2019 HK$'000	2018 HK$'000
Effective interest rate:		
Variable-rate bank borrowings	2.13% to 5.75%	2.00% to 5.75%

For the year ended 31 March 2019, the Group obtained new bank borrowings in the amounts of approximately HK$107,900,000 (2018: HK$83,115,000). The loans bear interest at market rates and will be repayable in accordance with the repayment schedule of each loan. The proceeds were used to finance the daily operation of the Group.

The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2019 HK$'000	2018 HK$'000
Facility amount	70,661	46,220
Utilisations at 31 March		
— Secured bank borrowings	38,861	26,820
Undrawn facility amount	31,800	19,400

26. BANK BORROWINGS (Continued)

As at 31 March 2019 and 2018, the banking facilities were secured by assets pledged as set out in notes 16 and 23 respectively:

- pledged bank deposits of the Group;
- certain properties of the Group;
- certain properties of a related company which was released during the year ended 31 March 2018; and
- unlimited personal guarantee provided by the directors of the Company which was released during the year ended 31 March 2018.

27. CONTINGENT LIABILITIES

At 31 March 2019 and 2018, the Group has been involved in a litigation and potential claim against the Group in relation to work-related injury.

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

28. DEFERRED TAX LIABILITY

The movements of the deferred tax liability during the current and prior years were as follows:

	Accelerated tax depreciation HK$'000
At 1 April 2017	118
Charge to profit or loss	145
At 31 March 2018 and 1 April 2018	**263**
Credited to profit or loss	**(206)**
At 31 March 2019	**57**

29. SHARE CAPITAL

The share capital as at 31 March 2019 and 2018 represented the share capital of the Company.

Details of the share capital of the Company are as follows:

	Number of shares		Share capital	
	2019	2018	**2019**	2018
			HK$'000	HK$'000
Ordinary share of HK$0.01 each				
Authorised				
At 1 April 2018/the date of incorporation *(Note a)*	**2,000,000,000**	38,000,000	**20,000**	380
Increased on 19 December 2017 *(Note b)*	**–**	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 1 April 2018/the date of incorporation *(Note c)*	**800,000,000**	10,000	**8,000**	–
Arising from a group reorganisation *(Note c)*	**–**	–	**–**	–
Capitalisation issue of shares *(Note d)*	**–**	599,990,000	**–**	6,000
Issue of ordinary shares upon listing of the Company *(Note e)*	**–**	200,000,000	**–**	2,000
At 31 March	**800,000,000**	800,000,000	**8,000**	8,000

(a) On 8 February 2017, the Company was incorporated in the Cayman Islands with an authorised capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each. On the same date, one share representing the entire issued share capital of the Company, was issued and allotted to the initial subscriber, which was subsequently transferred to Helios, and Helios became the sole shareholder of the Company.

(b) Pursuant to a special written resolution passed by the shareholders of the Company on 19 December 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$20,000,000 divided into 2,000,000,000 shares by the creation of an additional of 1,962,000,000 shares of HK$0.01 each.

29. SHARE CAPITAL (Continued)

(c) On 14 March 2017 and 8 March 2017, Fortuna completed the acquisition of entire equity interests of Kwan Tai Engineering Co., Limited ("**Kwan Tai HK**") and Companhia de Engenharia Kwan Tai, Sociedade Unipessoal Limitada ("**Kwan Tai Macau**") from the Controlling Shareholders at a consideration of HK$44,572,118 by allotment and issuance of 9,999 new ordinary shares of the Company at par value of HK$0.01 and cash consideration of MOP25,000 (equivalent to approximately HK$24,000), respectively. The consideration was determined and mutually agreed by the parties. Upon the completion of the acquisition, Kwan Tai HK and Kwan Tai Macau became direct wholly-owned subsidiaries of Fortuna and indirect wholly-owned subsidiaries of the Company.

(d) Pursuant to a special written resolution passed by the shareholders of the Company on 19 December 2017, conditional upon the crediting of the share premium account of the Company as a result of issue of shares pursuant to share offer set out in the section headed "Share Capital" in the Prospectus, the directors of the Company had authorised to allot and issue a total of 599,990,000 shares, by the way of capitalisation of the sum of HK$5,999,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

(e) On 17 January 2018, the Company issued a total of 200,000,000 ordinary shares with a par value of HK$0.01 each at a price of HK$0.65 per share as a result of the completion of the placing. Of the total gross proceeds amounting to HK$130,000,000, HK$2,000,000 representing the par value credit to the Company's share capital and HK$128,000,000, before the share issue expenses, credit to the share premium account. The Company's total number of issued shares was increased to 800,000,000 shares upon completion of the share offer.

(f) All shares issued during the reporting period rank pari passu with all the existing shares in all aspects.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK$'000 *(note 26)*
At 1 April 2017	40,879
Financing cash flows:	
— Addition	83,115
— Repayment	(97,174)
At 31 March 2018 and 1 April 2018	26,820
Financing cash flows:	
— Addition	107,900
— Repayment	(95,859)
At 31 March 2019	**38,861**

31. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments on office, car parking space and the Company's director's quarters for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**980**	1,874
In the second to fifth years inclusive	**30**	936
	1,010	2,810

Operating lease payments represent rentals payable by the Group for certain of its rented premises for office, car parking space and the Company's director's quarters. Leases are negotiated for terms ranging from one to two years (2018: one to two years) with fixed rentals.

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 special written resolution of the Company passed on 19 December 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 18 December 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 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up on the date of grant, upon payment of HK$1.00. Options may be exercised at any time from the date of grant of the share option to the 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 and for the years ended 31 March 2019 and 2018.

33. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, for the year, the Group entered into transactions with related party as follows:

Related party	Nature of transaction	2019 HK$'000	2018 HK$'000
Sun Warm Holding Company Limited ("Sun Warm")*	Interest reimbursed from *(note i)*	**–**	(129)
	Rental expenses *(note ii)*	**936**	768

Notes:

(i) Mortgage loan interest expenses were reimbursed from Sun Warm on a full indemnity basis.

(ii) Sun Warm leased a property to the Group for a two-year term commencing from 1 April 2016 to 31 March 2018, and from 1 April 2018 to 31 March 2020 respectively.

** Sun Warm were directly owned by the executive directors of the Company*

(b) **Compensation of key management personnel**

The remuneration of directors of the Company and other members of key management personnel for the year was as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	**7,579**	6,288
Post-employment benefits	**108**	105
	7,687	6,393

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance 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 only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

For the year ended 31 March 2019, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$441,000 (2018: HK$392,000) represents contributions payable to the MPF scheme by the Group in respect of the current accounting period.

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

	Note	**2019 HK$'000**	2018 HK$'000
Non-current asset			
Investment in a subsidiary		**44,596**	44,596
Current assets			
Deposits, prepayments and other receivables		**20**	—
Amount due from a subsidiary		**69,658**	63,618
Bank balances and cash		**40,792**	48,194
		110,470	111,812
Current liability			
Accrual and other payables		**24**	121
Net current assets		**110,446**	111,691
		155,042	156,287
Capital and reserves			
Share capital		**8,000**	8,000
Reserves	*(a)*	**147,042**	148,287
		155,042	156,287

Note (a):

Movements in reserves

	Share premium HK$'000	**Capital reserve** HK$'000 *(Note)*	**Accumulated losses** HK$'000	**Total** HK$'000
As 31 March 2017 and 1 April 2017	—	44,572	(25)	44,547
Loss and total comprehensive expense for the year	—	—	(200)	(200)
Capitalisation issue of shares *(note 29(d))*	(6,000)	—	—	(6,000)
Issue of ordinary shares upon listing of the Company *(note 29(e))*	128,000	—	—	128,000
Share issue expenses	(18,060)	—	—	(18,060)
As 31 March 2018 and 1 April 2018	103,940	44,572	(225)	148,287
Loss and total comprehensive expense for the year	—	—	(1,245)	(1,245)
At 31 March 2019	103,940	44,572	(1,470)	147,042

Note: Capital reserve represented the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company upon Reorganisation.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
			Direct		Indirect		
			2019	2018	**2019**	2018	
Fortuna	BVI	USD1	**100%**	100%	**–**	–	Investment holding
Kwan Tai HK	Hong Kong	HK$1	**–**	–	**100%**	100%	Trading of building materials and provision of construction and engineering services
Kwan Tai Macau	Macau	MOP25,000	**–**	–	**100%**	100%	Inactive
Kwan Tai Engineering (China) Co., Limited	Hong Kong	HK$10,000	**–**	–	**100%**	100%	Inactive
鈞泰（深圳）建築材料有限公司 *(Note)* Kwan Tai Engineering (Shenzhen) Co., Limited *	the PRC	RMB 500,000	**–**	–	**100%**	–	Inactive

Note: It is a wholly-owned foreign enterprise, which was newly incorporated on 5 March 2019.

None of the subsidiaries had issued any debt securities outstanding at the end of both years or at any time during both years.

* *The English translation is for identification purposes only.*

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years is as follows.

RESULTS

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**230,066**	280,061	202,319	216,865	235,351
Profit before taxation	**1,311**	5,584	34,383	22,403	29,186
Income tax expenses	**(542)**	(3,256)	(6,090)	(3,483)	(4,868)
Profit for the year	**769**	2,328	28,293	18,920	24,318

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Non-current assets	**31,034**	31,909	7,272	7,268	6,297
Current assets	**195,399**	203,120	137,504	94,589	103,404
Total assets	**226,433**	235,029	144,776	101,857	109,701
Equity and Liabilities					
Total equity	**169,067**	168,560	54,292	25,999	22,055
Non-current liabilities	**57**	263	118	564	316
Current liabilities	**57,309**	66,206	90,366	75,294	87,330
Total liabilities	**57,366**	66,469	90,484	75,858	87,646
Total equity and liabilities	**226,433**	235,029	144,776	101,857	109,701

Notes: The summary of the consolidated results of the Group for each of the three years ended 31 March 2015, 2016 and 2017 and of the assets, equity and liabilities as at 31 March 2015, 2016 and 2017 have been extracted from the Prospectus.

The summary above does not form part of the audited financial statements.