御佳控股有限公司

Royal Deluxe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3789

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

BOARD COMMITTEES

Audit Committee

Mr. Kwong Ping Man *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Sio Kam Seng

Remuneration Committee

Mr. Lai Ah Ming Leon *(Chairman)*
Mr. Sio Kam Seng
Mr. Kwong Ping Man
Mr. Wang Kei Ming

Nomination Committee

Mr. Sio Kam Seng *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Wang Kei Ming

COMPANY SECRETARY

Ms. Yim Sau Ping *(FCPA)*

AUTHORISED REPRESENTATIVES

Mr. Wang Kei Ming
Ms. Yim Sau Ping *(FCPA)*

COMPLIANCE ADVISER

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188 Lockhart Road,
Wanchai, Hong Kong

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Cayman Islands

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited

STOCK CODE

3789

WEBSITE

www.royal-deluxe.com

CHAIRMAN'S STATEMENT

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of Royal Deluxe Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present the annual report for the year ended 31 March 2019 (the "**Financial Year 2019**") to our shareholders.

In the Financial Year 2019, the Group achieved a revenue of approximately HK$602.8 million, representing a decrease of approximately 10.5% comparing with the revenue of approximately HK$673.3 million for the year ended 31 March 2018 (the "**Financial Year 2018**"). The profit attributable to owners of the Company decreased by approximately 22.6% to approximately HK$43.4 million for the Financial Year 2019 from approximately HK$56.1 million for the Financial Year 2018. The Group reported a gross profit of approximately HK$106.5 million for the Financial Year 2019, representing a decrease of approximately HK$3.1 million or approximately 2.9%, as compared to the gross profit of approximately HK$109.6 million for the Financial Year 2018 and reflected the adverse impact of delay in major projects and the challenging environment of formwork subcontracting businesses. In consideration of our development opportunity in 2020, the Board has proposed not to distribute any final dividends for the Financial Year 2019.

Nevertheless, we remain confident and are well-positioned in the market. In the Financial Year 2019, the Group has been awarded seven new contracts with total contract value of approximately HK$371.1 million (the Financial Year 2018: approximately HK$461.8 million), representing a decrease of approximately 19.6% to that of the Financial Year 2018. Meanwhile, ten subcontracting works were completed. As at 31 March 2019, there were ten subcontracting works projects in progress with an estimated total outstanding value of approximately HK$615.5 million (31 March 2018: approximately HK$646.0 million), and the level remains steady. We expect this remaining value to contract-on-hand would still provide the Group a steady business revenue and earnings for the coming years.

The global economic growth has slowed down as the expansion momentum has weakened. Trade tensions and financial deterioration have been the main risks affecting the economic outlook.

Looking ahead, construction industry in Hong Kong will continue in a positive trend. However, the investment sentiment in private housing in Hong Kong has turned skeptical and slightly clamed down the private building construction market. The huge and highly complex development plans such as "Lantau Tomorrow Vision" proposed in the Hong Kong Chief Executive's Policy Address 2018 will bring vigorous development opportunities, potentially injecting new vitality into the construction market.

The Group will pay close attention to macroeconomic and industry market trends so that it could formulate forward-looking business strategies in proactive response to changes in external business conditions.

The Group continued to promote the technology upgrade with building information modelling ("**BIM**") technology. During the Financial Year 2019, the Group completed the 3D Modelling for formwork design software and continuous development of 4D simulation for formwork application. Those softwares shall be further refined and attuned to optimize the design and project management processes. The Group has certain achievement in the areas of formwork construction technological innovation. During the Financial Year 2019, the Group received approvals from the People's Republic of China (the "**PRC**") government for 1 utility model patent and 1 invention patent, 1 Singapore patent and 1 Australia patent.

We adhere to implementation of the operational strategy of "High-quality work and flexible solutions" and development strategy of "Technical Innovation and optimized-customer design as core drivers", to achieve steady business growth. Meanwhile, we will continue seize market opportunities to promote businesses into different constructions and geographical areas.

Same as the year before, in order to increase the transparency and accountability to various stakeholders about the Group's Environmental, Social and Governance ("**ESG**") performance, we are pleased to present our ESG Report in this annual report which summarised our effort and performance in promoting and strengthening corporate social responsibility within the Group.

CHAIRMAN'S STATEMENT

The Group was able to maintain a steady and healthy development amidst a market environment featuring stiff competition. On behalf of the Board, I would like to express my sincere appreciation to our shareholders, customers, subcontractors and suppliers for their continuous support as well as the management team and the staff of the Group for their unremitting efforts and contribution over the year.

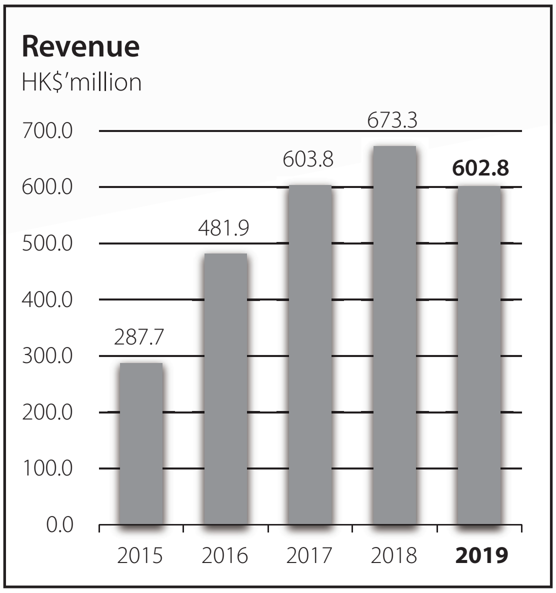
Royal Deluxe Holdings Limited
Wang Kei Ming
Chairman and Executive Director

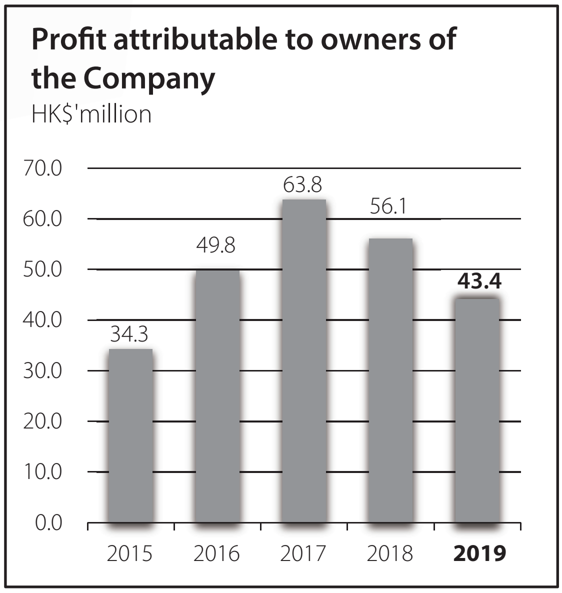
Hong Kong, 27 June 2019

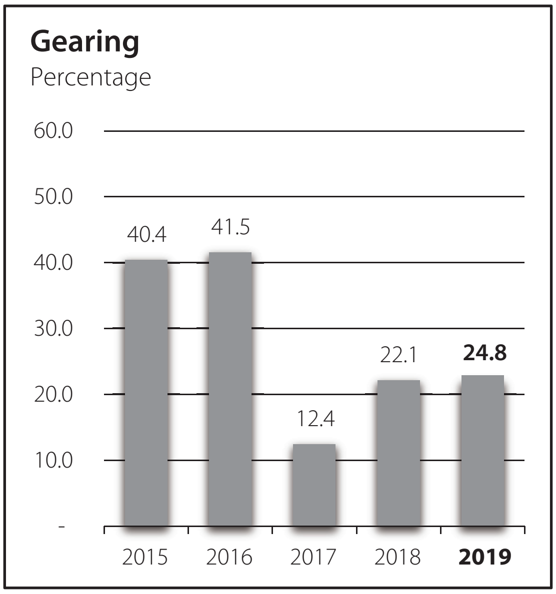
FINANCIAL HIGHLIGHTS

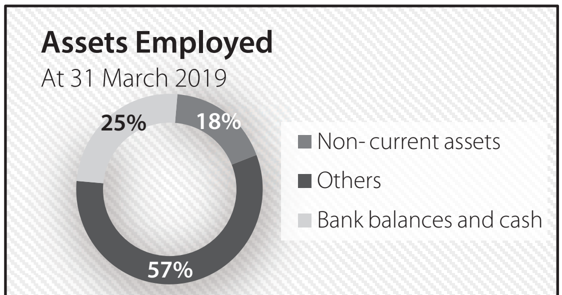
For the year ended 31 March	2019	2018	Change %
Financial Highlights (HK$' million)			
Revenue	**602.8**	673.3	(10.5%)
Gross profit	**106.5**	109.6	(2.9%)
Profit attributable to owners of the Company	**43.4**	56.1	(22.6%)
Financial Ratios			
Gross profit margin	**17.7%**	16.3%	8.6%
Current ratio	**2.1**	2.0	5.0%
Quick ratio	**2.1**	2.0	5.0%
Gearing ratio	**24.8%**	22.1%	12.2%
Debt to equity ratio	**N/A**	N/A	N/A
Return on equity	**19.7%**	25.1%	(21.5%)
Return on total assets	**11.8%**	14.9%	(20.8%)
Interest coverage	**16.1 times**	26.4 times	(39.0%)
Financial information per share (HK cents)			
Earnings per share			
– Basic and diluted	**3.61**	4.67	(22.7%)

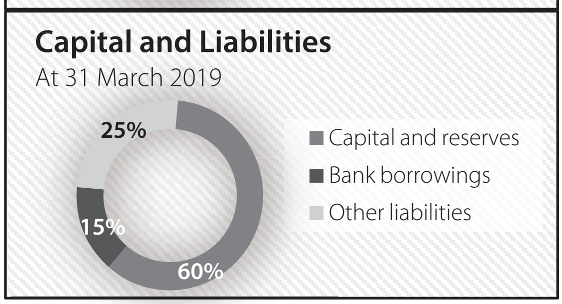
FINANCIAL HIGHLIGHTS











MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing formwork erection as well as ancillary services in Hong Kong. The Group started its formwork business since 1994 and has accumulated more than 24 years experience in the provision of its services in Hong Kong. The Group actively undertakes large-scale formwork erection projects for building construction and civil engineering works. The direct customers of the Group are main contractors of building construction and civil engineering projects while the ultimate customers are owners of the projects, which include the Government, public transport operators, theme park and property developers.

During the Financial Year 2019, the Group continued to upgrade and elevate its technical skills and construction methods in the industry in which it operated, maintained its continuous approach in refining its workmanship and enhanced its management process, developed construction technology applications and innovated formwork construction patents. Further, the Group commenced Building Information Modeling, being a model-based technology application in the areas of formwork engineering design and tendering process, Takeoff for Architecture and Structure ("**TAS**") and Takeoff for Bill of Quantities ("**TBQ**"). The Group considers that our management and operation teams have extensive expertise and knowledge in formwork erection industry, and will therefore continue to be a valuable asset of the Group to strive towards further success.

Business Review

The Group's overall revenue for the Financial Year 2019 amounted to approximately HK$602.8 million, representing a decrease of approximately 10.5% or HK$70.5 million as compared with that of approximately HK$673.3 million for the Financial Year 2018. For the Financial Year 2019, the Group recorded profit and total comprehensive income of approximately HK$43.4 million as compared to approximately HK$56.1 million for the Financial Year 2018.

Such decrease in revenue and the profit and total comprehensive income for the Financial Year 2019 of the Group was primarily attributable to the following factors:

(i) the results from the delay of the Group's major civil engineering project for the construction of the Exhibition Station & Western Approach Tunnel (the "**SCL1123 Project**") which was commenced in March 2018, such delay was due to the impact of site suspension of works since mid-August 2018. Subsequent to main-contractor of SCL1123 Project resumed its site excavation works on 29 September 2018, the ensuing works progress and the cost have thus been affected by such site suspension. The Group has requested project management team to proactively explore measures to recover the progress so as to minimise the costs on the delay. The Group will continue to coordinate with the main-contractor of SCL1123 Project so as to complete the project within schedule;

(ii) temporary suspension of construction work for M+ Museum Project until the novation arrangement was completed in early October 2018 (references are made to the announcements dated 15 June 2018 and 20 August 2018), the works progress and the cost have thus been affected by the suspension; and

(iii) costs incurred to meet the contractual obligations and post-contracts administration costs from several projects which were completed during the Financial Year 2019 of which most of the revenue had been reported in the Financial Year 2018.

The Group has applied, for the first time, HKFRS 15 which was one of the new HKFRSs applied in the current year. Had this new accounting standard not been applied, the Group's profit and total comprehensive income for the year attributable to owners of the Company for the Financial Year 2019 would be reduced by HK$53.1 million as compared to the Financial Year 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Financial Year 2019, the Group secured seven new contracts with total contract value of approximately HK$371.1 million, representing a decrease of approximately 19.8 % compared to the Financial Year 2018 of approximately HK$461.8 million, six of these projects started contributing revenue to the Group during the Financial Year 2019, out of which three of the projects were completed. As at 31 March 2019, the Group has a total of ten projects on hand with the estimated total outstanding value of approximately HK$615.5 million, representing a decrease of approximately 4.7% as compared with the estimated total outstanding value of approximately HK$646.0 million for the Financial Year 2018. Subsequent to the Financial Year 2019 and as at the date of this annual report, the Group further secured a new formwork contract of L1 Contract for the Lyric Theatre Complex (LTC) at West Kowloon Cultural District with total contract value of approximately HK$124.6 million. With the projects on hand, it is expected that the performance of the subcontract works will remain steady for the coming years.

Year of award/project	Role	Nature of contract	Status
Year 2015-2016			
M+ Museum project	Sub-contractor	Formwork	Work in progress
Year 2016-2017			
Pak Tin Estate Phase 7 and 8	Sub-contractor	Formwork	Work in progress
Year 2017-2018			
SC2101 Global Switch Hong Kong 1 (GSHK) –Building 3, 4 & 5 Data Centre at Tseung Kwan O	Sub-contractor	Traditional timber formwork (For early works)	Substantially completed
SC2105 Global Switch Hong Kong 1 (GSHK) –Building 3, 4 & 5 Data Centre at Tseung Kwan O	Sub-contractor	Formwork for superstructure and external works	Work in progress
14105 Tai Wai Station property development project (Zone B platform & tower T5-6)	Sub-contractor	Formwork	Work in progress
SCL1123/SC231 Exhibition Station and Western Approach Tunnel	Sub-contractor	Station formwork and concrete	Work in progress
Year 2018-2019			
M+ Museum project	Sub-contractor	ABWF Works in RDE Building of M+Museum	Work in progress
J3777-Proposed Residential Development at KIL11257, Sheung Shing Street, Homantin	Sub-contractor	System Formwork	Work in progress
J3699-The Fullerton Ocean Park Hotel Hong Kong	Sub-contractor	Formwork (below Podium RC Structure-Pile Cap to 5/F)	Work in progress
14105-08 Tai Wai Station property development project (Zone A skirting, platform & tower T1-3)	Sub-contractor	Formwork	Work in progress

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$70.5 million, or 10.5%, from approximately HK$673.3 million for the Financial Year 2018 to approximately HK$602.8 million for the Financial Year 2019. The decrease in revenue was mainly attributable to the temporary progress delays of two major projects as disclosed in the section headed "Business Review" of this annual report.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$3.1 million, or 2.9%, from approximately HK$109.6 million for the Financial Year 2018 to approximately HK$106.5 million for the Financial Year 2019. The decrease in gross profit was mainly due to the decrease in revenue for Financial Year 2019 as compared to the Financial Year 2018.

The Group's gross profit margin slightly increased from approximately 16.3% for the Financial Year 2018 to approximately 17.7% for the Financial Year 2019, mainly because a higher proportion of the Group's revenue was generated from the Group's major projects for the Financial Year 2019, which generally in higher gross profit margin as less direct costs were incurred as compared to the Financial Year 2018.

Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise of staff costs (including directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses increased by approximately HK$14.0 million or 31.6%, from approximately HK$44.4 million for the Financial Year 2018 to approximately HK$58.4 million for the Financial Year 2019, primarily due to the increase in the staff salaries and benefits, including the increase in directors' emoluments and administrative salaries expenses of approximately HK$10.9 million. For the Financial Year 2019, the directors' remuneration and administrative staff salaries amounted to approximately HK$38.9 million, compared to that of approximately HK$28.0 million for the Financial Year 2018.

Finance costs

The Group's finance costs increased by approximately HK$0.9 million or 35.0% from approximately HK$2.7 million for the Financial Year 2018 to approximately HK$3.6 million for the Financial Year 2019, primarily due to the increase in average amount of bank and other borrowings and the increase in average interest rate of bank borrowings.

Income tax expense

Income tax expense decreased by approximately HK$0.9 million or 8.0% from approximately HK$11.9 million for the Financial Year 2018 to approximately HK$11.0 million for the Financial Year 2019 primarily due to the decrease in profit before tax for the Financial Year 2019.

Profit and total comprehensive income for the year attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased by approximately HK$12.7 million or 22.6% from approximately HK$56.1 million for the Financial Year 2018 compared to approximately HK$43.4 million for the Financial Year 2019. The net profit margin decreased by approximately 1.1 percentage points from approximately 8.3% for the Financial Year 2018 to 7.2% for the Financial Year 2019.

USE OF PROCEEDS

The net proceeds from the shares of the Company have been listed on the Main Board of The Stock Exchange Hong Kong Limited (the "**Stock Exchange**") on 8 February 2017 (the "**Lisiting**") have been and will be utilised in accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 25 January 2017 (the "**Prospectus**") and the announcement of the Company dated 7 February 2017.

The below table sets out the utilisation of the net proceeds from the Listing as at 31 March 2019:

	Planned use of net proceeds as stated in the Prospectus	**Actual use of net proceeds up to 31 March 2019**	**Unutilised balance as at 31 March 2019**
	HK$'000	HK$'000	HK$'000
Funding the initial costs for an existing formworks project located in Yau Tsim Mong District	27,433	27,433	–
Used for acquisition of office premises	41,101	41,101	–
Used for the investment in the new information system	10,102	5,063	5,039
Used for repayment part of the outstanding bank borrowings and finance leases of the Group	10,399	10,399	–
Used as general working capital	9,607	9,607	–
	98,642	93,603	5,039

As disclosed in the "Comparison of business objectives with actual business progress" under the section headed "Management Discussion and Analysis" of the 2018 Annual Report, the net proceeds from the Listing have been utilised in accordance with the "Future Plans and Use of Proceeds" of the Prospectus, remaining unutilised amount of the net proceeds from the Listing were planned for the investment in the new information system and carried forward to the Financial Year 2019.

For the Financial Year 2019, the unutilised amount of the net proceeds from the Listing was approximately HK$5.0 million. It was deposited into license banks in Hong Kong. The Group is of the view that the unutilised amount of the net proceeds from the Listing is better to reserve for the continuing development of business information system and is in line with the business strategy of the Group.

The Group is now engaging in the new Human Resources Management Information System and the continuing investment in Building Information Modeling system, related trainings, equipment as well as software licenses. These enable the Group to enhance its operational efficiency, establish a sound foundation of new technology and advance knowledge in formwork erection industry in future.

The Group will endeavor to achieve the plan of use of proceeds as stated in the Prospectus.

As at the date of this annual report, the Directors do not anticipate any change for use of proceeds.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March 2019	As at 31 March 2018
Current ratio[1]	**2.1**	2.0
Gearing ratio[2]	**24.8%**	22.1%
Debt to equity ratio[3]	**N/A**	N/A
Interest coverage[4]	**16.1 times**	26.4 times

Notes:

1 Current ratio based on the total current assets divided by the total current liabilities.

2 Gearing ratio based on the total debt (summation of bank borrowings) divided by total equity and multiplied by 100%.

3 Debt to equity ratio is calculated as total debt (summation of bank borrowings) less cash and cash equivalents divided by total equity and multiplied by 100%.

4 Interest coverage based on the profit before interest and taxation divided by the total interest expenses incurred.

Current ratio was 2.1 and 2.0 as at 31 March 2019 and 31 March 2018 respectively. Debt to equity ratio figures as at 31 March 2019 and 31 March 2018 represent that the Company was in a net cash position. Interest coverage decreased from 26.4 times for the Financial Year 2018 to 16.1 times for the Financial Year 2019, mainly due to the decrease in profit before interest and tax and the increase in finance costs.

As at 31 March 2019, the capital structure of the Group consisted of equity of approximately HK$220.0 million (31 March 2018: approximately HK$223.5 million) and debts of approximately HK$54.7 million (31 March 2018: approximately HK$49.4 million).

The Group adopts a prudent approach in cash management. Apart from certain debts including bank loans, the Group did not have any material outstanding debts as at 31 March 2019. The Group maintains a variety of credit facilities to meet requirements for working capital. Payment to settle trade payables and wages represented the significant part of the cash outflow of the Group. As of 31 March 2019, the Group has available banking facilities of approximately HK$143.2 million (31 March 2018: approximately HK$95.4 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK$69.8 million (31 March 2018: approximately HK$9.6 million).

As at 31 March 2019, total borrowings increased from approximately HK$49.4 million to approximately HK$54.7 million with the maturity profile summarised as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**34,744**	32,933
In the second year	**4,775**	684
In the third to fifth year inclusive	**2,160**	2,185
Over five years	**12,997**	13,572
Classified under:		
Current liabilities	**54,676**	49,374
Non-current liabilities	**–**	–

Note:

As at 31 March 2019, bank loans balances with maturity that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of approximately HK$19.9 million (2018: approximately HK$16.4 million) have been classified as current liabilities together with bank loans balances with maturity repayable within one year.

During the Financial Year 2019, the Group had no financial instruments for hedging purpose. As at 31 March 2019, the Group had no fixed-rate borrowing.

GEARING RATIO

As at 31 March 2019, the gearing ratio, representing the ratio of interest bearing borrowings to equity attributable to owners of the Company, was approximately 24.8% (2018: approximately 22.1%). Such increase was mainly due to the increase in bank borrowings for financing new projects.

PLEDGE OF ASSETS

As at 31 March 2019, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate net carrying value of approximately HK$45.4 million (31 March 2018: HK$46.8 million).

As at 31 March 2019, the Group had pledged to bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 31 March 2019, the Group had a restricted time-deposit of approximately HK$3.0 million (31 March 2018: Nil) charging to a bank to secure general banking facilities granted to the Group.

As at 31 March 2019, the Group had a deed of charge for unlimited amount securing moneys due in respect of a factoring agreement with a bank for one construction contract.

As at 31 March 2019, the Group had charge over account with certain banks for general banking facilities.

FOREIGN CURRENCY EXPOSURE

The Group's borrowings, time deposits and bank balances are principally denominated in Hong Kong dollars.

The Group has no significant exposure to foreign currency risk because almost all the Group's transactions are denominated in Hong Kong dollars. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should and when appropriate.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS 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 Financial Year 2019. Save as disclosed herein, there was no other plan for material investments or capital assets as at 31 March 2019.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group had capital commitments of approximately HK$130,000 (2018: approximately HK$1,808,000) contracted but not provided for the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Arbitration" in this annual report, the Group had no material contingent liability as at the end of the reporting period (2018: Nil).

ARBITRATION

Ming Tai Construction Engineering Company Limited ("**Ming Tai**"), a wholly-owned subsidiary of the Group submitted two applications for arbitration (the "**Applications**") to the Hong Kong International Arbitration Centre against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "**Joint Venture**"). Pursuant to the Applications, Ming Tai (as the "**Applicant**") initiated an arbitration against the Joint Venture (as the "**Respondent**") in respect of disputes arising from two subcontracts. The Respondent indicated to counterclaim against the Applicant.

The Applicant claims, among others, that the Joint Venture failed to properly assess extensions of time and value sums due to Ming Tai under the two subcontracts entered between Ming Tai and the Joint Venture in June 2012 and September 2015, respectively, and caused delay and disruption to the progress and completion of the subcontract works and such delay and disruption caused Ming Tai to incur loss and/or expense. The Applicant seeks, among other things, relief for the extension of time for the two subcontracts and loss suffered by them in the aggregate amount of approximately HK$273 million, being the outstanding payment by the Joint Venture under the two subcontracts.

As at the date of this annual report, the hearing of the aforementioned arbitration has not yet commenced and the effects on the Company cannot be assessed at this moment. The Company will make further disclosure as and when necessary or appropriately based on the progress of the arbitration.

TREASURY POLICY

The Group continues to follow a prudent policy in managing the Group's cash balances and maintain a healthy liquidity position. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. Internally generated cash flow and interest-bearing bank borrowings are the general source of funds to finance the operation of the Group. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

EMPLOYEES AND REMUNERATION POLICY

The Group had 90 full-time employees as at 31 March 2019 (31 March 2018: 76 full-time employees). The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. Remuneration package comprised salary, a performance-based bonus, and other benefits including training and mandatory provident funds. Employee bonus is distributable based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programmes which are complementary to certain job functions. The total staff cost included in administration and other operating expenses (including remuneration of Directors and mandatory provident funds contributions) for the Financial Year 2019 amounted to approximately HK$38.9 million (2018: HK$28.0 million).

SEGMENT INFORMATION

Save as disclosed in note 5 to the consolidated financial statements, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 31 March 2019 and for the Financial Year 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

Uncertain external factors

Despite the construction industry is one of the traditional core industries in Hong Kong and it is currently benefiting from the large and long-term infrastructure projects by the Government as well as steadily increased residential units supply in private sector in coming years, the construction industry may suffer adverse impact of the changes in government policies, trade tensions, financial deterioration and unanticipated natural disasters.

The Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. Delays in project commencement, particularly projects in the public sector due to late approval of new funding, escalation in purchase price of construction materials or deployment of labour may affect project portfolios. The Directors have closely monitored works forecast by the Government, the number of new projects to be undertaken by the Housing Authority, tender results of commercial or residential sites so as to adjust the business strategies to participate in projects from public and private sectors. It is the responsibility of the executive Directors to identify and assess the prevailing economic condition and market risks and adopt different strategies from time to time to mitigate market risks. However, the future growth and profitability of the formwork industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong.

Uncertainty in successful tender

The Group's business relies on successful tenders that determine the award of contracts for formwork erection as well as related ancillary services. Given the non-recurring nature of these contract awards and the Group does not have long-term commitment with its customers, the number of contracts awarded to the Group may vary from year to year.

Upon the completion of its contracts on hand, the Group's financial performance may be adversely affected if the Group is unable to secure new tenders or award new contracts with comparable contract sums or at all. Formwork industry is highly competitive and the Group is required to build up good reputation and track records, maintain good relationships with customers, suppliers and subcontractors, ensure the availability of machinery and maintain competitive project pricing. If the competition among formwork construction subcontractors intensifies, the Group may have pressure to reduce the quotation, which would have an adverse impact on the financial performance.

Uncertainty in project delay

Any delay in project would affect the Group's cash position. The Group regularly has progress meetings with the main contractors, i.e. its customers, regarding each site's progress. The Group plans the deployment of labour and other resources accordingly. The Group's accounting and finance department also forecasts the works to be done in the forthcoming months to plan the liquidity and working capital use and reports to the executive Directors who then consider whether contingency plans are required.

Sustainable labour supply

Labour shortage and ageing problem have taken root in the construction industry for a number of years and the Group has leveraged on maintaining good relationships with its on site and off site employers and subcontractors. The Group has a list of approved subcontractors which the Group has reviewed and updated regularly to ensure they have maintained sufficient work force. The project team has regular meetings to discuss the deployment of labour, including the timing and number of workers required. The Group has early planning in the formwork design stage and recommends system formwork where possible since the assembling of system formwork demands less workmanship as compared to timber formwork and hence is less costly and requires less experienced workers, which in turn is expected to be more labour in supply.

FUTURE PROSPECTS

Looking ahead, despite the ongoing turbulence in the international trade environment, upon taking into account the commitment to large infrastructure investment development and the long-term housing development as well as land supply plans initiated by the HKSAR Government, the prospects for the construction industry will remain positive.

As the longstanding subcontractor in the formwork erection industry in Hong Kong with reputation and strengthened experience, the Group is well-positioned to compete with our competitors. Going forward, the Group will operate in a stable way in order to maintain a steady and healthy development. Meanwhile, the Group will reasonably allocate internal resources and keep looking for channels to expand our businesses into different areas of constructions and geographical areas to capture new business opportunities.

EVENT AFTER THE REPORTING PERIOD

New project awarded

The Board is pleased to announce that, subsequent to 31 March 2019, the Group has been awarded a formwork subcontract of L1 Contract for the Lyric Theatre Complex (LTC) at West Kowloon Cultural District with total contract value of approximately HK$124.6 million.

Save as disclosed above, the Board is not aware of any significant events requiring disclosure that have taken place subsequent to 31 March 2019 and up to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Kei Ming (王麒銘)

Mr. Wang Kei Ming ("**Mr. Joseph Wang**"), aged 57, is the chairman (the "**Chairman**") and an executive Director of the Company. Mr. Joseph Wang is responsible for the overall strategic management and development of the Group's business operations. Mr. Joseph Wang founded the Group in March 1994. He was appointed as director on 12 April 2016 and re-designated as an executive Director, the Chairman and chief executive officer of the Company (the "**Chief Executive Officer**") on 18 July 2016. He resigned as the Chief Executive Officer on 18 January 2018. Mr. Joseph Wang is also a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company. Mr. Joseph Wang was appointed as the director of Ming Tai Civil Engineering Company Limited on 28 March 1994 and the director of Ming Tai Construction Engineering Company Limited on 3 May 1999. Mr. Joseph Wang is a director of all other subsidiaries of the Group.

Mr. Joseph Wang has over 41 years of experience in the formwork construction industry, having entered the construction industry as a formwork construction apprentice in 1978. From 1981 to 1993, he continued to gather extensive knowledge and expertise in formwork construction industry by participating in different construction projects. Mr. Joseph Wang then established Ming Tai Civil Engineering Company Limited in March 1994 and expanded his business by establishing Ming Tai Construction Engineering Company Limited and Genuine Treasure Construction Technology Company Limited over the years. Mr. Joseph Wang was a committee member of the Hong Kong Construction Sub-contractors Association (香港建造業分包商聯會有限公司) from July 2012 to June 2015 and has been its vice President since July 2015. He was the vice president of the Hong Kong Formwork Contractors Association Limited (香港模板商會有限公司) from March 2011 to May 2015 and has been its president since May 2015.

Mr. Joseph Wang is the spouse of Ms. Chao Lai Heng, the Chief Executive Officer and the father of Mr. Wang Yu Hin, an executive Director of the Company.

Mr. Wang Yu Hin (王宇軒)

Mr. Wang Yu Hin ("**Mr. Benjamin Wang**"), aged 33, is an executive Director of the Company. Mr. Benjamin Wang is responsible for overseeing the Group's operation, business development, human resources, and finance and administration. Mr. Benjamin Wang was appointed as an executive Director on 18 July 2016.

Mr. Benjamin Wang graduated with a Bachelor of Science with a major in Chemistry from the University of California, Los Angeles in September 2006. Mr. Benjamin Wang continued to pursue his postgraduate education in biochemical science in the United States from October 2006 to late 2010. Mr. Benjamin Wang also completed an advanced workshop for general managers (總經理高級研修班) at the Tsinghua University Training Centre of Professional Managers (清華大學職業經理訓練中心) in July 2015. He had worked in Osstem Hong Kong Limited from May 2011 to September 2014 with his last position as assistant sales manager. He then joined Ming Tai Construction Engineering Company Limited as personal assistant to the director in September 2014 and was subsequently promoted to cost controller in January 2016. Mr. Benjamin Wang obtained a Certificate in Safety and Health for Supervisors (Construction) from the Occupational Safety and Health Council in August 2014. Mr. Benjamin Wang graduated from the EMBA-Global Asia programme offered by HKU Business School, Columbia Business School and London Business School in 2019. Mr. Benjamin Wang is appointed as Deputy Secretary of the Hong Kong Construction Sub-Contractors Association since July 2018.

Mr. Benjamin Wang is the son of Mr. Joseph Wang, the Chairman, an executive Director and a Controlling Shareholder of the Company (the "**Controlling Shareholder**") and the son of Ms. Chao Lai Heng, the Chief Executive Officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Ah Ming Leon (黎雅明)

Mr. Lai Ah Ming Leon ("**Mr. Lai**"), aged 62, was appointed as an independent non-executive Director on 17 January 2017. He is the chairman of the Remuneration Committee and a member of each of the audit committee of the Company (the "**Audit Committee**") and Nomination Committee.

Mr. Lai obtained a Bachelor of Laws with Honours from the University of Wales, University College, Cardiff in July 1982 and subsequently completed a Postgraduate Certificate in Laws at the University of Hong Kong in July 1986. Mr. Lai has been a practising solicitor in Hong Kong and a member of the Law Society of Hong Kong since August 1988 and is the sole proprietor of a law firm in Hong Kong. He has also been an advocate and solicitor of the Supreme Court of Singapore since February 1995. He has been an independent non-executive director of Allan International Holdings Limited (stock code: 684) since December 1995.

Mr. Kwong Ping Man (鄺炳文)

Mr. Kwong Ping Man ("**Mr. Kwong**"), aged 54, was appointed as an independent non-executive Director on 17 January 2017. He is the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee.

Mr. Kwong has rich experience in accounting and administration and is currently a director of O'Park Corporate Services Limited. He had previously worked as accountant, company secretary and chief financial officer at various private companies and companies listed on the Main Board of the Stock Exchange.

Mr. Kwong currently is the independent non-executive director of Dragon King Group Holdings Limited (Stock Code: 8493), Tang Palace (China) Holdings Limited (Stock Code: 1181) and Rare Earth Magnesium Technology Group Holdings Limited (Stock Code: 601).

Besides, Mr. Kwong had been an independent non-executive director of the following companies until he retired from his office: Elegance Optical International Holdings Limited (Stock Code: 907) until April 2017, Hao Tian International Construction Investment Group Limited (formerly known as Clear Lift Holdings Limited) (Stock Code: 1341) until March 2017, Yat Sing Holdings Ltd. (Stock code: 3708) until March 2016, China Candy Holdings Limited (Stock Code: 8182) until February 2016, and Century Sunshine Group Holdings Limited (Stock Code: 509) (formerly known as Century Sunshine Ecological Technology Holdings Ltd. (Stock Code: 8276)) until June 2019.

Mr. Kwong obtained a bachelor's degree in commerce accounting from Curtin University of Technology in Australia in August 1996, a postgraduate diploma in corporate administration (part-time) from the Hong Kong Polytechnic University in November 1998 and a master's degree in professional accounting from the Hong Kong Polytechnic University in November 2003. He is a member of the Australian Society of Certified Practicing Accountants (now known as CPA Australia), a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators respectively.

Mr. Sio Kam Seng (蕭錦成)

Mr. Sio Kam Seng ("**Mr. Sio**"), aged 60, was appointed as an independent non-executive Director on 17 January 2018. He is the chairman of the Nomination Committee and the member of each of the Audit Committee and the Remuneration Committee.

Mr. Sio graduated from The Queen's University of Brighton in 2002 with a Bachelor of Science in Construction Engineering and Management. He obtained a Postgraduate Diploma and a master's degree in Business Administration from the University of Wales in 2005 and 2012, respectively. He is currently a member of the Institute of Certified Management Accountants and the Institute of Public Accountants in Australia, the Society of Environmental Engineers, the Chartered Institute of Building, the Hong Kong Institute of Directors, and the Hong Kong Management Association. He is also a fellow member of Life Management Institute, an associate member of the Chartered Institute of Arbitrator and a senior associate member of Australian and New Zealand Institute of Insurance and Finance.

Mr. Sio has over 21 years of experience in the insurance industry. Prior to joining the Group, he worked at HSBC Insurance Company Limited from 1989 to 1992 and his last position was area manager. He then served in Sime Insurance Brokers (HK) Ltd from 1993 to 1995 with his last position as assistant general manager. He then worked at Man Sang Holdings Inc from 1995 to 1997 and his last position was chief executive officer. He served in Howden Insurance Brokers (HK) Limited from 1998 to 2017 and his last position was chief executive officer. He has been a director of China Metro-Rural Holdings Limited since 2009, a company that develops and operates integrated agricultural logistics platforms and engages in rural-urban migration redevelopment in mainland China. He has also been a deputy chief executive officer of Lockton Companies (Hong Kong) Limited since 1 January 2018, a company that provides risk consulting and insurance broking services.

SENIOR MANAGEMENT

Ms. Chao Lai Heng (周麗卿)

Ms. Chao Lai Heng ("**Ms. Chao**"), aged 53, was appointed as the Chief Executive Officer on 18 January 2018. Ms. Chao is the indirect Controlling Shareholder of the Company.

Ms. Chao completed the advanced class of excellent leading (卓越領導高級研修班) in August 2013 and class of chairman of strategic emerging industries investment (戰略性新興產業投資董事長高級研修班) in June 2017 at the School of Continuing Education, Tsinghua University. Prior to joining the Company, Ms. Chao worked for Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company, in the position of Manager from 1 September 2012 to 31 December 2015, and was a director of Oi Shun Ming Building Construction Limited from 1 September 2006 to 31 August 2012. Ms. Chao has been a director of Chao Feng Holdings Limited since 1 January 2016, a company that manages various types of industrial, business and real estate investment.

Ms. Chao is the spouse of Mr. Joseph Wang, the Chairman, an executive Director and a Controlling Shareholder and the mother of Mr. Benjamin Wang, an executive Director.

Mr. Chan Wing Seng (陳永成)

Mr. Chan Wing Seng ("**Mr. Chan WS**"), aged 52, is the financial controller of the Group. Mr. Chan WS is responsible for overseeing the Group's financial operations, legal affairs and strategic management.

Mr. Chan WS obtained a Certificate in Accountancy from the Tuen Mun Technical Institute in June 1988 and a Higher Certificate in Accountancy and a Post-experience Certificate in Accountancy from the Hong Kong Polytechnic University in November 1991 and October 1995, respectively. He then obtained his Master of Professional Accounting and Master of Corporate Governance through distance learning from The Open University of Hong Kong in June 2004 and June 2009, respectively. Mr. Chan WS has been an accredited accounting technician of the Hong Kong Association of Accounting Technicians since June 1990. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since September 1996 and each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since November 2009. Mr. Chan WS has also been a fellow member of the Association of Chartered Certified Accountants since June 2001. He completed the Construction Safety Supervisor Course held by the Construction Industry Council in June 2015.

Mr. Chan WS joined the Group in May 2013. Prior to joining the Group, Mr. Chan WS served in Yeebo LCD Limited (stock code: 259) from 2005 to 2006 with last position as financial controller. He then worked in Hung Wan Construction Company Limited from 2006 to 2012 and his last position was financial controller. During 2012, he worked in Gemdale Properties and Investment Corporation Limited (stock code: 535) and his last position was senior manager – finance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Yiu Kwok (陳耀國)

Mr. Chan Yiu Kwok ("**Mr. Chan YK**"), aged 58, is the commercial director of the Group. He joined the Group as commercial director in August 2011. Mr. Chan YK is primarily responsible for overseeing the Group's quantity surveyance, contract disputes and litigations. Mr. Chan YK obtained a Certificate in Building Studies from Morrison Hill Technical Institute of Vocational Training Council Hong Kong in July 1983 and a Higher Certificate in Building Studies from the Hong Kong Polytechnic University in November 1987. He then obtained an Associate Diploma in Engineering (Electrical Engineering) from the Southern Sydney Institute of the New South Wales Technical and Further Education Commission in July 1995, and received his Bachelor of Applied Science in Construction Management and Economics from Curtin University of Technology in Australia in April 2001.

Mr. Chan YK has been a Registered Professional Surveyor in the Quantity Surveying Division of the Surveyors Registration Board of Hong Kong since July 2007. Mr. Chan YK became associate member in Quantity Surveying Division of The Society of Surveying Technicians in 1990 and member each of The Association of Cost Engineers in 2000, The Association for Project Management in 2001, The Australian Institute of Building in 2001, The Chartered Institute of Building in 2002, The Chartered Institution of Civil Engineering Surveyors in 2003 and The Hong Kong Institute of Surveyors in 2005. In 2004, he also became a professional member of The Royal Institution of Chartered Surveyors.

Prior to joining the Group, Mr. Chan YK worked in Nishimatsu Construction Company Limited with his last position as senior quantity surveyor from 1995 to 1998. He then served in Chun Wo Construction & Engineering Company Limited and his last position was assistant quantity surveying manager from 1999 to 2001. From 2001 to 2011, he worked in Maeda Corporation and his last position was quantity surveying manager.

Mr. Ng Ho Lam (吳浩霖)

Mr. Ng Ho Lam ("**Mr. Ng**"), aged 43, is the general manager of the Group. Mr. Ng is primarily responsible for daily monitoring and management of the projects.

Mr. Ng has over 27 years of experience in the construction industry. He started working as a construction worker from 1991 to 1999 in various construction companies in Hong Kong after completing Form 5 of secondary education. Prior to joining the Group, Mr. Ng worked as a foreman at Shui Wing Engineering Co. Ltd. (瑞榮工程有限公司) from 2000 to 2008 and as a director at Lik Wah Engineering Limited (力華工程有限公司) from 2008 to 2010. Mr. Ng joined the Group as assistant project manager in March 2010 and was subsequently promoted to project manager in April 2011, senior project manager in September 2013 and deputy project director in December 2015, respectively. He was promoted to his current position in April 2018.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏)

Ms. Yim Sau Ping ("**Ms. Yim**"), aged 36, prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), now known as Boill Healthcare Holdings Limited, a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on GEM, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of seven companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017 respectively. She has accumulated more than 10 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust and safeguarding interest of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control stringent disclosure practices and transparency and accountability to all stakeholders.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In the opinion of the Board, the Company has complied with the CG Code throughout the period.

The key corporate governance practices of the Group are summarised as follows:

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry with the Directors, all Directors have fully complied with the required standards of dealing set out in the Model Code and there was no event of non-compliance throughout the period.

DIRECTORS' RESPONSIBILITIES AND DELEGATION

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1) To develop and review the policies and practices on corporate governance of the Group and make recommendations;

2) To review and monitor the training and continuous professional development of the Directors and the senior management;

3) To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4) To develop, review and monitor the code of conduct applicable to the Directors and the employees of the Group; and

5) To review the Company's compliance with the CG Code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report of the Company.

BOARD COMPOSITION

The Board currently comprises two executive Directors and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

Biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" in this annual report.

The current proportion of independent non-executive Director is higher than what is required by Rule 3.10A, 3.10(1) and (2) of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 18 July 2016. The letters of appointment of Mr. Lai, Mr. Kwong and Mr. Sio are for an initial term of three years commencing from 17 January 2017, 17 January 2017 and 18 January 2018 respectively. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Company's memorandum and articles of association and the applicable Listing Rules.

Pursuant to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every director shall retire from office by rotation and are subject to re-election of annual general meeting at least once every 3 years. Article 112 of the Company's memorandum and articles of association provides that any Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after their appointment and are subject to re-election by shareholders of the Company. Any Director appointed by the Board, as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. Joseph Wang and Mr. Lai will retire from office at the forthcoming annual general meeting of the Company to be held on Friday, 6 September 2019. Each of them, both being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Joseph Wang as an executive Director and Mr. Lai as an independent non-executive Director.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Joseph Wang was the Chairman of the Board and Ms. Chao is the Chief Executive Officer throughout the year.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensuring that the interests of all shareholders of the Company are taken into account. The representation of independent non-executive Directors is more than one-third of the members of the Board with at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Financial Year 2019, the Company has provided and all Directors have attended at least one training course or the updates of the Listing Rules concerning good corporate governance practices.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.royal-deluxe.com. All Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expenses.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. During the Financial Year 2019, the chairman held at least one meeting with the independent non-executive Directors without the presence of other executive Directors.

Details of all Directors' attendance at the Board meeting and Board's committee meeting held during the Financial Year 2019:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
			Number of Meetings Attended/Held		
Executive Directors:					
Mr. Wang Kei Ming	6/6	–	2/2	1/1	1/1
Mr. Wang Yu Hin	6/6	–	–	–	1/1
Independent Non-executive Directors:					
Mr. Lai Ah Ming Leon	6/6	2/2	2/2	1/1	1/1
Mr. Kwong Ping Man	6/6	2/2	2/2	1/1	1/1
Mr. Sio Kam Seng	6/6	2/2	2/2	1/1	1/1

AUDIT COMMITTEE

The Audit Committee was established on 17 January 2017. The chairman of the Audit Committee is Mr. Kwong, the independent non-executive Director, and other members include Mr. Lai and Mr. Sio, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules which must comprise a minimum of three members, comprising non-executive Directors only, the majority of the members of the Audit Committee must be independent non-executive Directors and must be chaired by an independent non-executive Director. At least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Financial Year 2019, the Audit Committee mainly has (i) reviewed the condensed consolidated financial statements for the 2018 Interim Report; (ii) reviewed the reports from the Auditors, accounting principles and practices adopted by the Group, management representation letters and management's response in relation to the annual results for the Financial Year 2018; (iii) reviewed the consolidated financial statements for the Financial Year 2018; and (iv) the Company's internal control procedures and risk management system and recommended the same to the Board for approval. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Financial Year 2018 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 17 January 2017. The chairman of the Remuneration Committee is Mr. Lai, the independent non-executive Director, and other members include Mr. Wang, the Chairman and an executive Director, Mr. Kwong and Mr. Sio, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The principle role and functions of the Remuneration Committee are to review the remuneration packages of individual executive Directors and key executives, including salaries, bonuses, benefits in kind and the terms of which they participate in any share options and other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration and making recommendations to the Board from time to time. The Remuneration Committee has reviewed the remuneration packages and remunerations of Directors and senior management and considered that they are fair and reasonable for the Financial Year 2019. No director or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 17 January 2017. The chairman of the Nomination Committee is Mr. Sio, the independent non-executive Director, and other members include Mr. Wang, the Chairman and an executive Director, Mr. Lai and Mr. Kwong, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and the Company's website.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, the independence of independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of director. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim as its Company Secretary. Ms. Yim possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Joseph Wang, an executive Director, is the primary contact person who Ms. Yim contacts.

For the Financial Year 2019, Ms. Yim undertook no less than 15 hours of relevant professional training to develop her skills and knowledge. The biographical details of Ms. Yim is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of this Board Diversity Policy.

The Nomination Committee will review this Board Diversity Policy, as appropriate, to ensure the effectiveness of this Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the directors of the Company. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Re-election of Director at General Meeting

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the Criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria.

The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the Corporate Governance Report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

Review of Nomination Policy

The Nomination Committee will launch a formal process to review this Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Disclosure of Nomination Policy

A summary of this Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the articles of association of the Company. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and

- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment are performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

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

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the Financial Year 2019 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the Financial Year 2019 as required under code provision C.2.5 of CG Code. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the financial statements audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

AUDITORS' REMUNERATION

During the Financial Year 2019, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	Remuneration paid/payable
	HK$'000
Audit services	
– Statutory audit services	1,200

SHAREHOLDERS' RIGHT

One of the measures to safeguard shareholders' interest and rights is to separate resolutions proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the Company's memorandum and articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- defines the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with its shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange at "www.hkexnews.hk" and the Company's website at "www.royal-deluxe.com";

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the Financial Year 2019, there was no change in the Company's memorandum and articles of association.

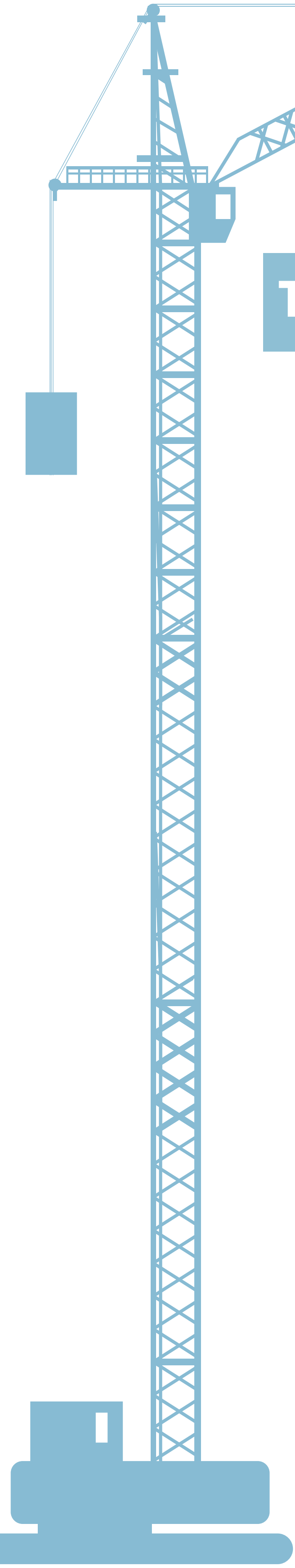


Table of Contents


Vision
Becoming one of the most influential formworks services providers in Hong Kong
Mission
Provide comprehensive and one-stop professional formworks services and engineering solutions;
Maximize customer value while sustaining a safer, more environmentally friendly and cost-effective construction environment;
Establish long-term relationships with customers, employees and suppliers
Corporate Value
Safety | integrity
Excellence | Innovation

1. ABOUT THIS REPORT

1.1. Reporting Period

This Environmental, Social and Governance ("ESG") Report illustrates and highlights the environmental and social performance from 1 April 2018 to 31 March 2019.

1.2. Reporting Scope

This ESG report summarises the performance of the Group in respect of corporate social responsibility. This report is focused on the operating activities of the Group's business in large scale formwork erection projects for the construction of reinforced concrete structures in Hong Kong. With the aim to optimise and improve the disclosure requirements in the ESG Report, the Group has taken initiatives to formulate ESG-related policies, document relevant data as well as implement and monitor measures. This report demonstrates the ESG performance of the Group in achieving sustainable development for the future.

1.3. Reporting Framework

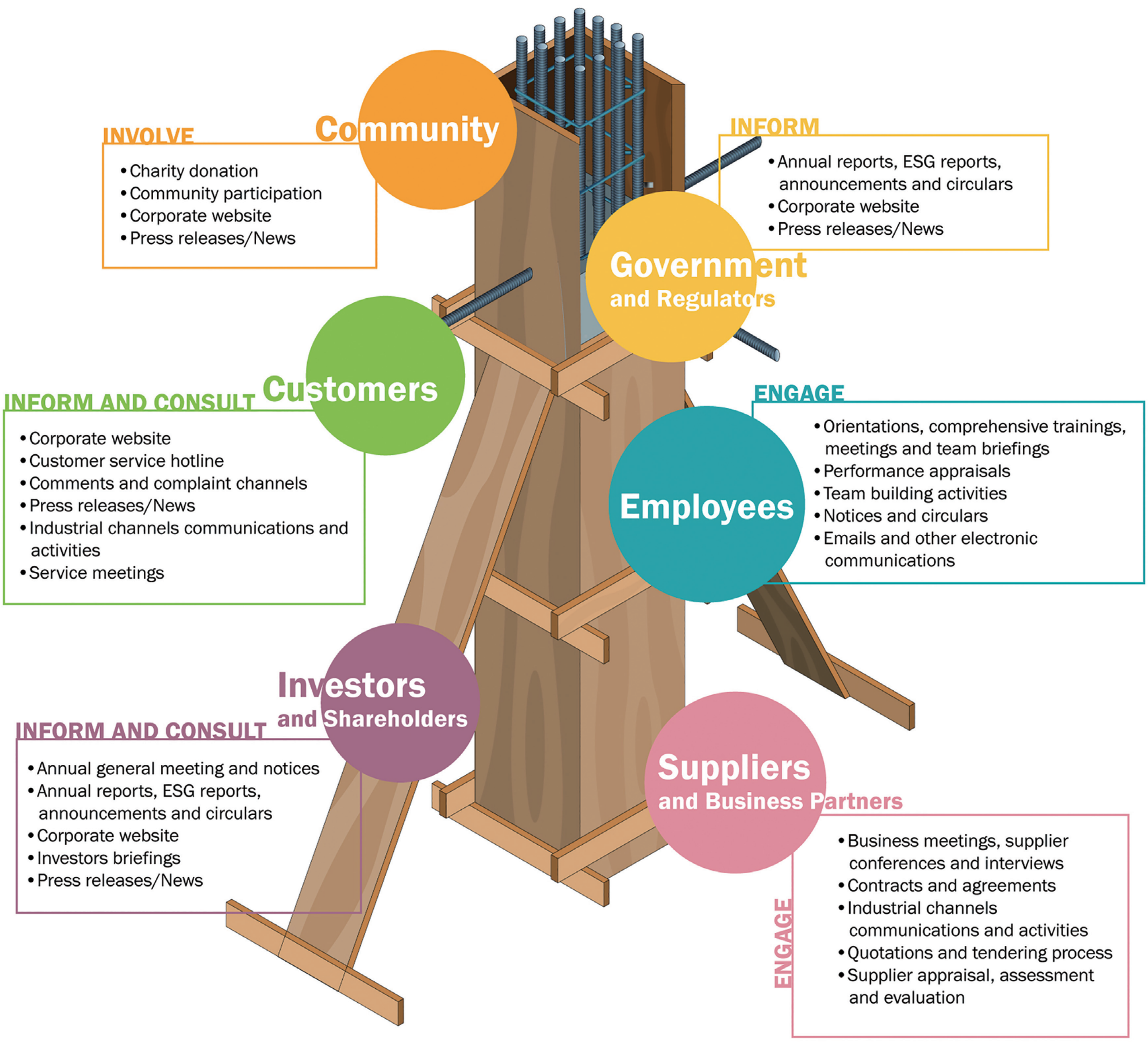
This ESG report has been prepared in accordance with the "comply or explain" provisions as well as "recommended disclosures" of the Environmental, Social and Governance Reporting Guide follows the disclosure requirements as set out in the ESG Reporting Guide ("ESG Guide") contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). This report has complied with the "comply or explain" provisions of the ESG Guide.

Key Performance Index ("KPI") Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the section of this report
A. Environmental	
A1: Emissions	Emissions Policies and Compliance Carbon Footprint – Greenhouse Gas ("GHG") Reduction Air Emission
A2: Use of Resources	Constructing Sustainably Materials Consumption – Timbers and Metals
A3: The Environment and Natural Resources	Constructing Sustainably Reducing Materials Use and Construction Waste
B. Social	
Employment and Labour Practices	
B1: Employment	Total Workforce Employment Policies and Compliance
B2: Health and Safety	Occupational Health and Safety Policies and Compliance Corporate Social Responsibility and Safety Awards
B3: Development and Training	Human Capital Development and Training Policies
B4: Labour Standards	Labour Practices and Compliance
Operating Practices	
B5: Supply Chain Management	Supply Chain Management
B6: Product Responsibility	Product Responsibility Protecting Intellectual Property Rights Quality Assurance Process Data Protection and Privacy Policies
B7: Anti-corruption	Anti-corruption Policies and Compliance Conflict of Interest Preventive Measures and Whistle-blowing Procedures
Community	
B8: Community Investment	Charity Donation Corporate Social Responsibility and Safety Awards

1.4. Stakeholders' Engagement

Stakeholders' expectation, views and feedback toward the Group is of ultimate importance to its future development. The Group is committed to its stakeholders through maintaining sustainable growth in business, ensuring the well-being of its employees and caring for the environment. The Group adopts a comprehensive approach in managing the environmental and social performance of its business. The Group has performed the following stakeholder engagement activities through direct and transparent communications to build trust and long-term relationship with all stakeholders.



1.5. Stakeholders' Feedback

Your comments and feedbacks regarding the Group's performance and approach on ESG aspects are valuable to its continuous improvement and sustainability, please send your questions, suggestions and recommendations to the Group as below:

Unit A, 22/F, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong

ESG@royal-deluxe.com

2. Environmental Performance

2.1. Emissions Policies and Compliance

The Group acknowledges the impact of its work to its employees, the community and the environment. Thus, its environmental management policy is designed as the guiding principles to communicate expectation and monitor performance. All emissions and waste generated during operation are strictly controlled and monitored. As required for all construction sites, the Group strictly complies with relevant environmental protection laws and ordinance of Hong Kong:

AIR POLLUTION CONTROL ORDINANCE (CHAPTER 311 OF THE LAWS OF HONG KONG)

DUMPING AT SEA ORDINANCE (CHAPTER 466 OF THE LAWS OF HONG KONG)

ENVIRONMENTAL IMPACT ASSESSMENT ORDINANCE (CHAPTER 499 OF THE LAWS OF HONG KONG)

NOISE CONTROL ORDINANCE (CHAPTER 400 OF THE LAWS OF HONG KONG)

PUBLIC HEALTH AND MUNICIPAL SERVICES ORDINANCE (CHAPTER 132 OF THE LAWS OF HONG KONG)

WASTE DISPOSAL ORDINANCE (CHAPTER 354 OF THE LAWS OF HONG KONG)

WATER POLLUTION CONTROL ORDINANCE (CHAPTER 358 OF THE LAWS OF HONG KONG)

2.2. Carbon Footprint - GHG Emissions

The Group strives it best to incorporate sustainability into its environmental management policy by reducing, reusing and recycling energy, natural resources and materials being used in business operations, and improving its environmental performance. Realising that energy and resource conservation is crucial to environmental sustainability, the Group's green office management policy is the guiding principles for employees to advocate energy and resources savings as well as waste reduction.

To reduce GHG emissions, the Group has energy saving practices including deployment of energy-saving lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using of digital technology and recycled paper, encouraging the use of public transport and using tele or video conferencing as an alternative to business travels.

Comprising the Group's headquarters and storage warehouses, the Group's operations cover a total floor area of 356.42 square meter (2018: 850.53 m^2) and is accounted for 100% of its carbon footprint.

The following table highlights the carbon footprint of the Group:

Scope	Sources of GHG Emission	2019 GHG* emission (in tCO_2-e)	2019 Distribution	2018 GHG* emission (in tCO_2-e)	2018 Distribution	% change by year
1	Mobile - Unleaded gasoline and Diesel consumed	88.94	57.12%	115.94	56.07%	-23.29%
2	Purchased electricity	39.08	25.18%	43.19	21.03%	-9.86%
	Purchased Towngas	0.12		0.30		
	Disposal of paper waste	27.37		47.19		
3	Fresh water processing	0.13	17.70%	0.12	22.90%	-41.83%
	Sewage water processing	0.05		0.05		
	Total GHG* emission	155.69	100%	206.79	100%	-24.71%
	GHG removal – paper waste recycling	12.21		4.29		184.62%
	Total GHG* emission after removal	143.48		202.50		-29.15%
	Carbon emission intensity	0.403		0.236		70.76%

** *The GHG is calculated according to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.*

It is noteworthy that all electricity and water used in project locations were usually provided by the main contractors or property owners. Hence, the GHG emissions was not available for carbon footprint calculation. However, the Group will work with main contractors to see the possibility of recording the electricity and water usage in the coming years to set quantifiable targets for carbon footprint reduction.

2.3. Air Emission

Dust or respirable suspended particulates ("RSP") matters generated by the activities in the construction sites could contribute to local air pollution. Thus, washing facilities are used to wash off mud and dust on site and from vehicles to prevent dust and RSP matters from dispersing into the environment, and the resulted air emission is not significant.

Another major source of air emission was from the use of gasoline and diesel-powered motor vehicles for transportation. Motor vehicles, especially the diesel powered, emit a considerable amount of pollutants into the environment. The following table highlights the total air emission of the Group.

Types of Pollutants: Emission Data

NO_x — *Nitrogen Oxides: 276.20Kg*

SO_2 — *Sulphur Dioxide: 0.53Kg*

Particulate Matter 22.57Kg

2.4. Constructing Sustainably

The following table highlights the year on year comparison of different energy and water resources being used:

Energy and Water Resources Consumption

Electricity (kWh)^

2019	2018
76,620.00	79,980.88

Towngas (mj)

2019	2018
9,648.00	24,000.00

Petroleum (l)

2019	2018
6,370.37	8,555.67

Diesel (l)

2019	2018
27,057.78	35,014.65

Water (m^3)

2019	2018
308.74	477.06

^The energy intensity of electricity consumption was 214.97 kWh/m^2 (2018: 94.04 kWh/m^2).

Materials Consumption – Timbers and Metals

Timber and metal components were used for the Group's projects. With the growing concern towards the environmental impact of using timbers, the Group continues to purchase timbers that are certified under The Programme for the Endorsement of Forest Certification ("PEFC"). Over 90% of timbers were procured from certified PEFC suppliers demonstrating the Group's commitment to conserve the environment and develop its business in a sustainable way.

The following table denotes the year on year comparison of raw materials used and recycled:

Raw Material Consumption

Timber (m^3)

	2019	2018
	7,476.22	23,888.78
Recycled:	NIL	2,220.00
Recycling Rate:	NIL	9.29%

Metals (t)

	2019	2018
	2,988.65	2,214.76
Recycled:	1,113.26	962.84
Recycling Rate:	37.25%	43.47%

Metals

2.5. Reducing Material Use and Construction Waste

The reduction and recycling of construction materials (timbers and metals) is becoming more important in the construction industry due to the increase in public awareness and waste disposal charges under the Construction Waste Disposal Charging Scheme. Thus, the Group is continuously making its effort to design and research for better construction methods to build its formworks with reusable and recyclable materials.

Comparing to the timber counterpart, metals are easier to be reused and recycled. The Group promotes reuse and recycle of metal components despite high repairing cost, large storage space and time required for disassembling and sorting are involved. In order to repurpose existing metal components, the Group has been leasing two warehouses to store them for reuse. It is recorded that 37.25% (2018: 43.47%) of metals was reused during the reporting period.

3. Community Investment

3.1. Charity Donation

The Group recognises the importance of corporate social responsibility. As a member of the Hong Kong community, the Group continued its community care by making various charitable donations and sponsorship to show its care. Concerted efforts were made by the Group's management and employees to volunteer for charity events. The participation not only engaged the employees to take part in community charity programs, but also created a bond between management and employees by fostering a two-way sharing and communication. With the support in charity donation and participation, the Group aims to promote generosity and create a positive impact among employees and the Hong Kong community.

Sponsored Party	Nature/Event
*Hong Kong Lo Pan Kwong Yuet Tong*香港魯班廣悅堂	*General Donation*
The Construction Industry Council Construction Industry Sports and Volunteering Program	*Construction Industry Happy Run 2019*
The Lighthouse Club Hong Kong Benevolent Fund	Sponsorship for the 2018 Lighthouse Club Lap Dog Challenge
Gammon Construction Limited - Gammon Staff Recreation Club	*Gammon Walkathon to Guangzhou 2018 - Hong Chi Association*
Mindset Limited	*Sponsorship for the Central Rat Race 2018*
Society for the Welfare of the Autistic Persons	*Donation to the flag day 2018*

3.2. Corporate Social Responsibility and Safety Awards

Safety awards programs give all companies a means to measure their system performance against the industry it does business in. The Group demonstrated its capability and determination in conducting quality businesses by winning the following listed awards during the reporting period:

Organisation:
Gammon Construction Limited
Sustainability Award – Quiet Construction Method

Organisation:
Hong Kong Institute of Construction
Gold Award - Subcontractor employing the most type of jobs
Excellence Award - Subcontractor employing the most graduates
Award – Subcontractor actively participating in the cooperative training program

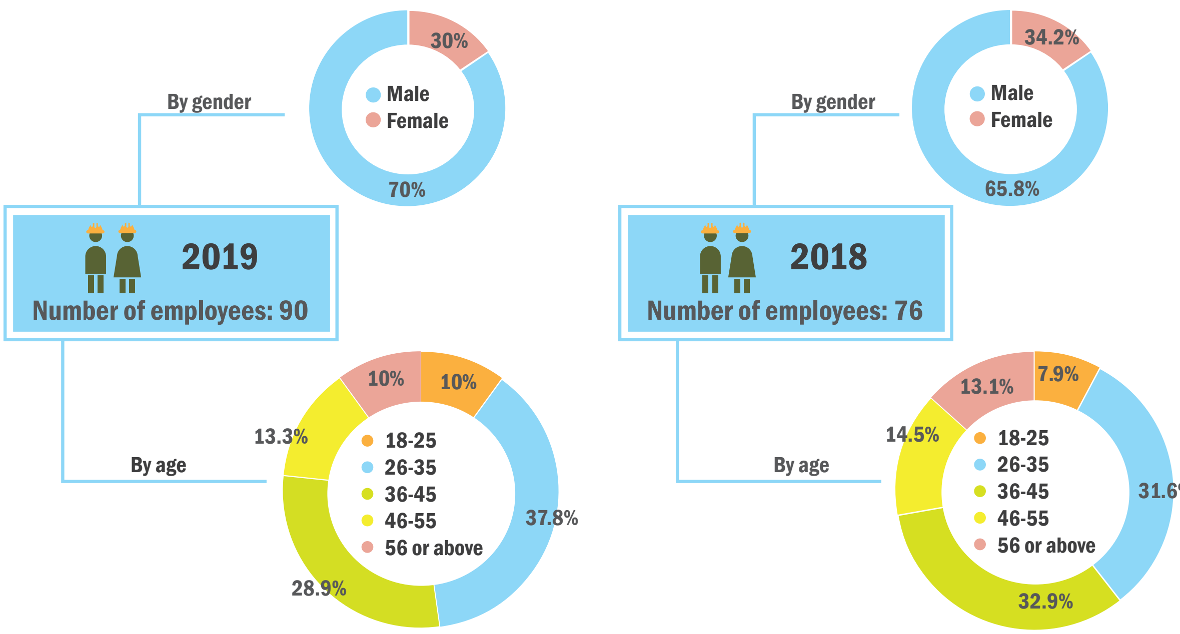
Organisation:
Labour Department, HKSAR
Merit Award – Subcontractor
Award – Best Work-at-Height Safety Performance

Organisation:
Leighton – China State Joint Venture – Safety Incentive Scheme
Winner of Safe Subcontractor Award

4. Human Capital

4.1. Total Workforce

Human capital is regarded as one of the Group's valuable assets as they play a vital role in providing professional and quality service to customers and the key to the Group's future development and success. As at 31 March 2019, the total workforce of the Group was 90, the employee composition of the Group is listed in the following table.



The total number of casual workers was 3,031 (2018: 3,411) with 73 females and 2,958 males, 2,791 Chinese and 240 from different ethnic background including Nepalese, Pakistanis and Vietnamese, etc.

4.2. Employment Policies and Compliance

Through the years of experience in the industry, the Group understands that its success and development is highly dependent on its workforce, while employees' health and work safety are of ultimate importance and priority; the Group is committed to providing a positive and safe working environment that embraces equality and diversity.

A competitive remuneration and benefit package is developed to identify, recruit, train and retain suitable, skilled and experienced employees. The Employee Handbook has incorporated rules and regulations surrounding employment and labour standard, benefits and welfare, leave and holidays, code of conduct and organisational structure to ensure compliance with relevant laws to protect employees. Remuneration packages are reviewed periodically to ensure employees are assessed and rewarded based on their capabilities, responsibilities and performance.

To create a sense of belonging in the workplace, the Group encouraged employees to form a cultural team to enhance employee communications by promoting corporate culture, building communication bridges and boosting positive energy.

4.3. Occupational Health and Safety Policies and Compliance

The Group regarded 'safety first' as the underlying value of the organisational culture, work safety policies and procedures are established to protect employees and to ensure the compliance with applicable work safety laws and regulations. Employees working at construction sites are provided with personal protective equipment such as helmets, eye and ear protectors, respirators, safety belts, gloves, safety shoes for personal protection. Emergency procedures are communicated periodically, and employees' preparedness is high.

Apart from various occupational health and safety trainings that were conducted to reinforce employees' safety awareness and practices; monetary and non-monetary awards were used to encourage and reward employees' safety performance. The Group also participated in the pilot medical examination scheme for construction workers organised by the Construction Industry Council. The scheme is to provide general medical examinations to the construction workers in general allowing them to realise their health conditions and understand if they have any health problems at an early stage.

The Group also demands its subcontractors to comply with its safety policies to protect the interest of their workers. Corporate safety audit is conducted regularly by registered safety auditors to encourage safety compliance and employees' safety commitment. The decrease in work injury rates clearly demonstrated the Group's effort in promoting and encouraging workplace safety. During the reporting period, the Group received various safety awards and has not violated any related safety and health ordinance and provisions.

Occupational Health and Safety Data	2019	2018
Number of Work-related Fatalities	0	0
Work injury cases with leave of absence >3 days	18	39
Work injury cases with leave of absence <3 days	0	3
Lost days due to work injury	1,718.0	4,997.5
Work Injury rate	2.47	3.98

4.4. Labour Practices and Compliance

The Group complies with the relevant laws and regulations relating to employment, child and forced labour practices. The Group provides equal opportunities for employees in respect of recruitment, remuneration and benefits, training and development, and job advancement.

The objective of the Group's human resource management is to reward and recognise performing employees by reviewing their salaries and wages through the annual performance appraisal system based on employees' performance, experience and qualifications.

The recruitment process and the labour standard are strictly abided by the staff requisition and recruitment policy, ensuring the proper and suitable candidates are hired in accordance to the job requirement, relevant laws and candidates' expectation for a fair, healthy and sustainable workforce.

During the reporting period, there has been 43 cases of labour disputes relating to work injury claims against the Group. The Group recognises the negative impact of labour disputes towards the Group; nevertheless, the Group is committed to focusing on reducing the number of occupational injuries by continuously establishing and adopting various methods to improve the safety awareness and performance of the employees.

4.5. Human Capital Development and Training Policies

The Group understands that the experience and skills of employees are important and critical to its continued success and growth as formwork projects are generally labour intensive and skill specific. To ensure suitable and professional labour are available for different projects' needs, various inhouse and outside source training are offered to ensure employees are trained skilfully and professionally for their knowledge improvement and future career development. The Skills Enhancement Courses of the Advanced Construction Manpower Training Scheme - Pilot Scheme organised by the Construction Industry Council is one of the most welcomed training programs to the employees. The Group also participated in the Council's Construction Tradesman Collaborative Training Scheme to train people aspiring to develop their career in the construction industry.

5. Supply Chain Management

The Group has built a strategic relationship with its supply chain partners (raw material suppliers and subcontractors) to ensure the delivery of safe and top-notch quality products to its customers. Its green procurement policy is structured to warrants the best available goods that are sustainable, eco-friendly and high quality are selected in an honest, competitive and fair manner that delivers the best cost performance as well as reducing any environmental impacts.

The Group has a total of 96 (2018:94) product and service suppliers in its approved suppliers' list. Since it is important to use reputable suppliers who offer reliable, stable, cost-effective and high-quality products to meet the needs and requirements of its customers, suppliers are assessed and selected based on rational and clear criteria so that high-quality work and on-time project completion could be enforced and guaranteed.

6. Product Responsibility

The Group is one of the few formwork erection operators in Hong Kong that can provide traditional formwork and system formwork in large-sized construction projects with design capacity (i.e. "design-and-build") in both building construction and civil engineering sectors. The overall success of a design-and-build project depends on the design and use of a suitable formwork system to meet the specification of different construction needs. The group's efforts in devising innovative construction method and improving the technical skills of employees have successfully contributed to the registration of several patents, and as a result, distinguished it from the common "build-only" contractors.

The Group's efforts in devising innovative construction methods and improving the technical skills of employees have successfully contributed to the registration of several patents. This pioneering method has transformed the traditional construction sites to becoming a safer working environment and at the same time enhanced environmental protection. Ming Tai Construction Movable Aluminium Table-form (Hong Kong Patent no.: HK1230011, China Patent no.:ZL2016_2_1061846.7 and 201810545176.3, China invention Patent no.: ZL2018_2_0829496.7 and 201610829463.8) is made of high-density lightweight aluminium which can be reused many times to achieve effective resources application; its design structure is stable with high-loading support, its comprehensive protective accessories ensure work safety, and its transportable design also increases the efficiency of on-site operation and effectively reduces staffing during construction

During the reporting period, there were no significant complaints in project quality and delivery.

6.1. Protecting Intellectual Property Rights

The Group has registered several trademarks, patents, and domain names in Hong Kong as they are important to its brand and corporate image. The Group complies with the intellectual property ("IP") rights regulations. During the reporting period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

6.2. Quality Assurance Process

The Group is committed to providing innovative and high-quality work to customers. The Group's quality manual prescribes systematic and standardised policies, processes and procedures so that the quality of its formwork products is maintained and guaranteed. Based on the design and quality requirement of customers, its project management team oversees and manages processes from materials selection, quality management system, to the on-site work performance for quality control and product responsibility. Furthermore, the project manager of the team is responsible for the on-site supervision and inspection to ensure quality performance and to avoid non-conformance.

6.3. Data Protection and Privacy Policies

The Group properly manages and protects the data of its employees, customers, subcontractors and suppliers to ensure their privacy and confidentiality; its servers and computers are protected from access passwords, and all sales contracts, tender documents, related licenses, employees' personal data are neatly organised and archived. The Group complies with the Personal Data (Privacy) Ordinance and is strictly abided by the regulation in the collection, disclosure, usage, retention, and storage of information data to ensure data integrity and safety.

7. Anticorruption Policies and Compliance

The Group is committed to fostering a culture of compliance, ethical behaviour and good corporate governance and has regarded fairness, honesty and integrity as its core cooperate value that must be uphold by every employee. To formalise the commitments, its Code of Conduct stipulated the requirement expected of all employees, and the Group's policy on corruption, conflict of interest and fraudulent activities when dealing with the Group's business. Employees should not offer, solicit or accept anything of material value to or from their business partners, colleagues, customers, suppliers or subcontractors of the Group unless the Group has given its consent.

The Group conducts periodic and systematic risk assessment and communicate related anti-fraud policy and procedures to employees on a regular basis.

7.1. Conflict of Interest

The Code of Conduct stated that all directors and employees should avoid the conflict between personal financial interest and their professional official duties in the Group. The policy also requires employees to declare any potential conflict of interest and to report on any gifts or advantages being offered or received to the Group in writing.

7.2. Preventive Measures and Whistle-blowing Procedures

As part of its corporate governance program, the Group promotes the importance of ethical behaviour and encourages the reporting of misconduct, unlawful or unethical activities. The Group's whistle blowing policy stated the process and procedures of whistleblowing and the whistle-blower could report suspected misconduct, conflict of interest, malpractice or irregularity cases through a designated email in strict confidence. All suspected frauds will be investigated by the Group's audit committee confidentially. The Group regularly conducts trainings on business ethics to reinforce employees' understanding and communicates the code of ethical conduct through emails and briefings during Chinese Festive seasons to remind employees of the Group's requirement. During the reporting period, there were no related fraudulent cases reported against the Group.

8. The Future of Sustainable Development

Sustainable development in the construction industry continues to be a challenge, the economic development and increasing living needs of the Hong Kong people are driving the industry with more rapid growth but increasing concerns towards resources deprivation and environmental degradation. Developing sustainably and be a pioneer in resources conservation is the Group's prime focus, dedicated effort has been made to work towards becoming one of the leaders in environmental protection among industry competitors. The Group will continue to leverage on its designing strength, explore innovative construction methods through research and collaboration with business partners and suppliers to flourish sustainably in the industry.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Financial Year 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The details of the principal activities of the subsidiaries are set out in note 32 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Financial Year 2019.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 April 2016. Its registered office and principal place of business are at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Unit A, 22/F., T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2019 and the state of affairs of the Company and the Group as at 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income, note 33 to the consolidated financial statements and the consolidated statement of financial position in this annual report respectively.

The Board does not recommend the payment of any final dividend in respect of the Financial Year 2019.

CLOSURE OF REGISTER OF MEMBER

The forthcoming annual general meeting is scheduled to be held on Friday, 6 September 2019 (the "**2019 AGM**"). For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 3 September 2019 to Friday, 6 September 2019, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 2 September 2019.

BUSINESS REVIEW

The review of the Group's business for the Financial Year 2019 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 7 to 15 of this annual report. The description of principal risks and uncertainties the Group is failing and key 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 30(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to minimising the adverse impact to the environment caused by business operations. In order to comply with the applicable environmental protection laws and regulations, the Group established an environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. The Group will continue to reduce the impacts of its operation on the environment and continue to make efforts to save energy.

For details of ESG performance of the Group, please refer to the Environmental, Social and Governance Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Financial Year 2019, these was no material breach or non-compliance with the applicable laws and regulation by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group treasures the relationship with all of its stakeholders and attempts to engage them through different initiatives. Human capital is the most valuable asset of the Group. The Group provides and reviews regularly the competitive remuneration packages, training programmes, and staff engagement activities to attract, nurture and retain talents and employees.

A long-term good relationship with business partners (as well as suppliers and customers) brings benefits for the Group and are important to accomplish its immediate and long-term goals.

Apart from the connection in business relationship, the Group also engages the customers and suppliers to collaborate a better performance in business operation, environment, and community investment. The Group encourages employees engaging in community activities voluntarily.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Financial Year 2019 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

The Company's total issued share capital as at 31 March 2019 was 1,200,000,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital of the Company during the Financial Year 2019 are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Financial Year 2019 are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution to owners comprising the aggregate amount of share premium less accumulated losses, amounted to approximately HK$14.9 million.

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 126. This summary does not form part of the audited consolidated financial statements of the Group.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the Financial Year 2019 and up to the date of this annual report were as follows:

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

Information regarding Directors' emoluments are set out in note 10 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.

By virtue of article 108 and article 112 of the memorandum and articles of association of the Company, Mr. Joseph Wang and Mr. Lai will retire at the 2019 AGM and, all being eligible, will offer themselves for re-election at the said meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Controlling Shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the Financial Year 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the Financial Year 2019 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any director or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire the rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the Financial Year 2019.

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

As at 31 March 2019, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in shares and underlying shares of the Company

Name of director	Capacity/ Nature of interest	Number of underlying shares held	Approximate percentage of shareholding
Mr. Joseph Wang (note 1)	Interested in a controlled corporation	801,600,000	66.8%

Note:

1. Mr. Joseph Wang beneficially owns the entire issued share capital of Wang K M Limited ("**Wang K M**"), which directly holds 66.8% of the shares of the Company. Therefore, Mr. Joseph Wang is deemed to be interested in all the shares of the Company held by Wang K M for the purpose of the SFO. Mr. Joseph Wang is the sole director of Wang K M.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or chief executive of the Company, as at 31 March 2019, the following persons/entities (other than the Directors or chief executive of the Company) had or were deemed to have interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding
Wang K M	Beneficial owner	801,600,000	66.8%
Ms. Chao (Note 1)	Interest of spouse	801,600,000	66.8%

Note:

1. Ms. Chao is the spouse of Mr. Joseph Wang. Accordingly, Ms. Chao is deemed, or taken to be, interested in the same number of shares of the Company in which Mr. Joseph Wang is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2019, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 17 January 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus and note 24 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Financial Year 2019, two non-exempt continuing connected transaction agreements have been renewed and will continue to be carried out between the Company and Genuine Treasure Construction Material Limited ("**GT Material**") and Genuine Treasure Access and Scaffolding Limited ("**GT Scaffolding**") respectively.

GT Material and GT Scaffolding are companies incorporated in Hong Kong with limited liability on 10 March 2000 and 20 December 2013 respectively. Both GT Material and GT Scaffolding are wholly-owned by Ms. Wang Mung Nien Ann, the sister of Mr. Joseph Wang, the Chairman and an executive Director and the aunt of Mr. Benjamin Wang, an executive Director. GT Material and GT Scaffolding are therefore connected persons of the Company under the Listing Rules.

GTM Framework Agreement

On 27 March 2019, the Group renewed the agreement between the Company and GT Material for a term of three years from 1 April 2019 to 31 March 2022 (the "**GTM Framework Agreement**"), pursuant to which GT Material agreed to provide construction materials to the Group from time to time upon reguest by the Group.

The Group has good and long standing relationship with GT Material and the Group has purchased construction materials from GT Material since 2003. Construction materials purchased from GT Material are used to build timber formwork and GT Material has in the past provided tailor-made services according to the Group's product specifications. The Directors confirm that the quality and delivery of construction materials from GT Material has satisfied the Group's requirements. The GTM Framework Agreement offers no exclusivity rights to GT Material and the Group has the liberty to source any materials that may be supplied by any other suppliers. The Group maintains a list of qualified suppliers which the Group purchases construction materials from. While the Group also purchases from other independent suppliers from time to time, the Directors are of the view that it will be in the interest of the Group to continue such transactions with GT Material to diversify the source of construction materials and obtain stable supply of materials.

Taking into account that the services provided to the Group are under normal commercial terms and are reached after arm's length negotiations and are being carried out in the usual and ordinary course of business of each of the parties, the Board is of the view that the terms of the GTM Framework Agreement (including the annual caps) are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GTS Framework Agreement

On 27 March 2019, the Group renewed the agreement between the Company and GT Scaffolding for a term of three years from 1 April 2019 to 31 March 2022 (the "**GTS Framework Agreement**"), pursuant to which GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services, as well as metal scaffold assembly services to the Group from time to time. The annual cap for the three years ending 31 March 2022 are approximately HK$23,000,000, HK$25,000,000 and HK$26,000,000 respectively and were approved by the independent shareholders of the Company at the extraordinary general meeting held on 31 May 2019.

The Directors have been informed that due to the business expansion, GT Scaffolding has been providing metal scaffold assembly services to other contractors as a subcontractor. GT Scaffolding also started providing metal scaffold assembly services to the Group since 2018. Having considered that (i) GT Scaffolding's expertise in providing and assembling metal scaffolds; (ii) knowledge of the properties, loading capacities and correct assembling methods for the metal scaffolds it provides; (iii) the job references of assembling large scale and complex metal scaffolding falsework; (iv) the good business relationship between the Group and GT Scaffolding; and (v) the labour shortage problem faced by the construction industry in Hong Kong, the Directors are of the view that it offers benefits to the Group by enlarging its approved list of subcontractors to include GT Scaffolding for the provision of metal scaffold assembly subcontracting services. In addition, the fees to be charged by GT Scaffolding to the Group will be no less favourable than those of which the Group could obtain from independent experienced subcontractors which are capable of providing similar services.

Accordingly, the Directors are of the view that the increase in annual caps will not result in over-reliance on GT Scaffolding nor will it become an economically unfavourable option to the Group and the Board is of the view that the terms of the GTS Framework Agreement (including the annual caps) are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Directors, including the independent non-executive Directors, consider that all of the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been and will be entered into in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and holder(s) of the Share(s) (the "**Shareholder(s)**") as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions for the year ended 31 March 2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in note 25 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sub-section headed "Related Party Transactions and Connected Transactions" in "Directors' Report" on pages 56 to 57 and note 28 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contracts of the significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Financial Year 2019.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

For particulars of the contracts of significance between the Group and the Controlling Shareholders, Wang K M and Mr. Joseph Wang or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the Controlling Shareholders or their respective subsidiaries, please refer to the paragraph headed "Related Party Transactions and Connected Transactions" in "Directors' Report" on pages 56 to 57 and note 28 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for service contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the Financial Year 2019.

COMPETING BUSINESS

During the Financial Year 2019, none of the Directors or the Controlling Shareholders 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.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Joseph Wang and Wang K M (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 17 January 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the convenantors also gave certain non-competition undertakings under the Deed of Non-competition as set out in the paragraph headed "Relationship with our controlling shareholders – Non-competition undertaking" in the Prospectus.

During the Financial Year 2019, the Company had not received any information in writing from any of the Covenantors in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Covenantors or their associates (other than any member of the Group), and the Company has received an annual written confirmation from the Covenantors in respect of his/its associates' compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that the Covenantors had complied with the Deed of Non-competition.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities secured or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which include discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once every year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10 to the consolidated financial statements.

The remuneration of the senior management of the Group who are non-director and non-chief executive officer for the Financial Year 2019 falls within the following bands:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	–
HK$1,000,001 to HK$2,000,000	2
Above HK$2,000,000	1

PRE-EMPTIVE RIGHTS

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

DONATION

Charitable donations made by the Group during the Financial Year 2019 amounted to HK$43,000 (2018: HK$293,000).

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, throughout the Financial Year 2019 the Directors confirm that the Company maintained a sufficient public float of at least 25% in the issued share capital of the Company as required under the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Financial Year 2019.

MAJOR CUSTOMERS

During the Financial Year 2019, the Group's five largest customers accounted for approximately 93.2% (2018: 84.6%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 29.4% (2018: 40.3%) of the total revenue.

None of the Directors or any of their close associates, or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

During the Financial Year 2019, the Group's five largest suppliers accounted for 70.10% (2018: 64.0%) of the total purchases of the Group and the largest supplier of the Group accounted for 41.39% (2018: 27.9%) of the total purchases.

None of the Directors or any of their close associates, or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 20 to 31 of this annual report.

AUDITORS

The consolidated financial statements of the Group for the Financial Year 2019 were audited by HLB Hodgson Impey Cheng Limited. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting. The Company has not changed its external auditors in any of the preceding three years.

On behalf of the Board
Royal Deluxe Holdings Limited
Wang Kei Ming
Chairman and Executive Director

Hong Kong, 27 June 2019

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

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

TO THE SHAREHOLDERS OF ROYAL DELUXE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Royal Deluxe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 125, 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of revenue and contract assets in Notes 5 and 17 respectively to the consolidated financial statements.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included:
We identified the recognition of contract revenue, costs of construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	• Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets (Continued)	
	• Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined. • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis. • Testing the actual costs incurred on construction works. • Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment applications confirmed by internal surveyor.
Impairment of trade receivables and contract assets	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of trade receivables and contract assets in Notes 15 and 17 respectively to the consolidated financial statements. We identified the impairment of trade receivables and contract assets as a key audit matter due to the use of judgements and estimates in assessing the expected credit losses of trade receivables and contract assets. In determining the expected credit losses, the Group takes into consideration the credit quality of trade receivables and contract assets using forward-looking and past collection history of the customer which may require management's judgements.	Our audit procedures in relation to impairment of trade receivables and contract assets mainly included: • Obtaining an understanding and evaluating the methodologies and assumptions used by the Group in assessing expected credit losses. • Testing on a sample basis the accuracy of ageing analysis of trade receivables. • Testing the accuracy of the historical default data and evaluating if historical loss rates have been appropriately adjusted based on forward-looking information. • Testing the accuracy of the calculation of the loss allowances as at 1 April 2018 and 31 March 2019. • Testing the subsequent settlements of trade receivables on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 27 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**602,772**	673,275
Direct costs		**(496,314)**	(563,636)
Gross profit		**106,458**	109,639
Other income, other gains and losses, net	6	**7,075**	5,421
Administration and other operating expenses		**(58,427)**	(44,410)
Reversal of loss allowance on trade and other receivables and contract assets, net		**2,845**	–
Finance costs	7	**(3,609)**	(2,673)
Profit before tax	8	**54,342**	67,977
Income tax expense	9	**(10,966)**	(11,917)
Profit and total comprehensive income for the year attributable to owners of the Company		**43,376**	56,060
		HK cents	HK cents
Earnings per share			
– Basic and diluted	12	**3.61**	4.67

Details of dividend are disclosed in Note 11 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	**59,976**	62,567
Deposits and prepayments for life insurance policy	14	**3,888**	3,829
Club membership		**1,188**	1,188
Deferred tax assets	22	**337**	104
		65,389	67,688
Current assets			
Trade and other receivables	15	**86,285**	140,571
Amounts due from customers for contract work	16	**–**	111,058
Contract assets	17	**110,217**	–
Contract costs	18	**1,739**	–
Bank balances and cash	19	**92,733**	57,066
Current tax recoverable		**10,636**	–
		301,610	308,695
Total assets		**366,999**	376,383
Current liabilities			
Trade and other payables	20	**90,853**	91,193
Amounts due to customers for contract work	16	**–**	10,821
Borrowings	21	**54,676**	49,374
Current tax liabilities		**1,314**	1,456
		146,843	152,844
Net current assets		**154,767**	155,851
Total assets less current liabilities		**220,156**	223,539
Non-current liabilities			
Deferred tax liabilities	22	**126**	71
Net assets		**220,030**	223,468
Capital and reserves			
Share capital	23	**12,000**	12,000
Reserves		**208,030**	211,468
Equity attributable to owners of the Company		**220,030**	223,468

The consolidated financial statements on pages 65 to 125 were approved and authorised for issue by the board of directors on 27 June 2019 and signed on its behalf by:

Mr. Wang Kei Ming Director	**Mr. Wang Yu Hin** Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK$'000 (Note 23)	Share premium HK$'000	Special reserve HK$'000 (Note)	Retained profits HK$'000	Total equity HK$'000
Balance at 1 April 2017	12,000	100,344	1,020	54,044	167,408
Profit and total comprehensive income for the year	–	–	–	56,060	56,060
Balance at 31 March 2018	12,000	100,344	1,020	110,104	223,468
Effect of adoption of Hong Kong Financial Reporting Standard 9 ("HKFRS 9")	**–**	**–**	**–**	**(3,430)**	**(3,430)**
Effect of adoption of Hong Kong Financial Reporting Standard 15 ("HKFRS 15")	**–**	**–**	**–**	**(43,384)**	**(43,384)**
Balance at 1 April 2018 (restated)	**12,000**	**100,344**	**1,020**	**63,290**	**176,654**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**43,376**	**43,376**
Balance at 31 March 2019	**12,000**	**100,344**	**1,020**	**106,666**	**220,030**

Note:

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the corporate reorganisation undertaken on 28 June 2016 in preparation for the listing of the Company's shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before tax		**54,342**	67,977
Adjustments for:			
Depreciation of property, plant and equipment		**3,755**	3,466
Amortisation of premium and other expenses charged on life insurance policy		**55**	13
Loss on written off or disposal of property, plant and equipment		**4**	103
Reversal of loss allowance on trade and other receivables and contract assets, net		**(2,845)**	–
Interest expense		**3,609**	2,673
Interest income		**(15)**	(66)
Interest income on deposits and prepayments for life insurance policy		**(114)**	(115)
Operating cash flows before movements in working capital		**58,791**	74,051
Decrease/(increase) in trade and other receivables		**5,921**	(11,475)
Increase in amounts due from customers for contract work		**–**	(58,042)
Increase in contract assets		**(14,834)**	–
Increase in contract costs		**(1,739)**	–
Decrease in trade and other payables		**(340)**	(8,310)
Decrease in amounts due to customers for contract work		**–**	(6,706)
Cash generated from/(used in) operations		**47,799**	(10,482)
Interest received		**14**	66
Interest paid		**(3,609)**	(2,787)
Hong Kong Profits Tax paid		**(12,671)**	(14,628)
Net cash generated from/(used in) operating activities		**31,533**	(27,831)
Cash flows from investing activities			
Payment for club membership		**–**	(1,188)
Purchases of property, plant and equipment		**(1,168)**	(62,261)
(Increase)/decrease in restricted bank deposits		**(3,000)**	3,000
Net cash used in investing activities		**(4,168)**	(60,449)
Cash flows from financing activities			
Proceeds from borrowings		**83,107**	71,610
Repayment of borrowings		**(77,805)**	(42,982)
Net cash generated from financing activities		**5,302**	28,628
Net increase/(decrease) in cash and cash equivalents		**32,667**	(59,652)
Cash and cash equivalents at the beginning of year		**57,066**	116,718
Cash and cash equivalents at the end of year	19	**89,733**	57,066

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Royal Deluxe Holdings Limited ("the Company") was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability under the companies law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 February 2017 (the "Listing"). Its parent company and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Kei Ming ("Mr. Joseph Wang"), an executive director of the Company.

The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22nd Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong.

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

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

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

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

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

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

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

The Group recognises revenue for its construction services which arise from contracts with customers.

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

Summary of effects arising from initial application of HKFRS 15

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

	HK$'000
Retained profits	
Construction revenue recognised over time	37,480
Recognition of contract costs incurred	(89,437)
Tax effect	8,573
Impact at 1 April 2018	(43,384)

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

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

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

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

	Notes	Carrying amounts previously reported at 31 March 2018 HK$'000	Impact HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018* HK$'000
Current assets				
Trade and other receivables	(b)	140,571	(47,950)	92,621
Amounts due from customers for contract work	(a)	111,058	(111,058)	–
Contract assets	(a),(b)	–	96,230	96,230
Current tax recoverable	(a)	–	8,573	8,573
Current liabilities				
Amounts due to customers for contract work	(a)	10,821	(10,821)	–
Capital and reserves				
Retained profits	(a)	110,104	(43,384)	66,720

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

(a) In relation to construction contracts previously accounted for under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the estimated total billing value for contracts entered into by the Group. Under HKFRS 15, costs that related to satisfied performance obligations are expensed as incurred. Construction costs of HK$100,258,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 and included in amounts due from customers for contract work were charged to retained profits. Construction costs of HK$10,821,000 that have not been incurred but accelerated to be recognised in profit or loss under HKAS 11 and included in amounts due to customers for contract work were credited to retained profits. Unbilled revenue of HK$48,280,000 arising from construction contracts was reclassified from amounts due from customers for contract work to contract assets. The related tax effect of HK$8,573,000 was recognised in current tax recoverable and included in adjustment to retained profits.

(b) At the date of initial application, retention receivables of HK$47,950,000 arising from construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.

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

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

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

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

Impact on the consolidated statement of financial position

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets				
Trade and other receivables	(b)	86,285	44,033	130,318
Amounts due from customers for contract work	(a)	–	79,279	79,279
Contract assets	(a),(b)	110,217	(110,217)	–
Contract costs	(c)	1,739	(1,739)	–
Current tax recoverable	(a)	10,636	(583)	10,053
Current liabilities				
Amounts due to customers for contract work	(a)	–	7,822	7,822
Capital and reserves				
Retained profits	(a)	106,666	2,951	109,617

(c) Contract costs capitalised as at 31 March 2019 under HKFRS 15 represents material costs that relate directly to construction contracts entered by the Group, which generate or enhance resources of the Group and will be used in satisfying or continuing to satisfy performance obligations in the future.

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

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Revenue	(a)	602,772	7,740	610,512
Direct costs	(a),(c)	(496,314)	(56,163)	(552,477)
Profit before tax	(a),(c)	54,342	(48,423)	5,919
Income tax expense	(a),(c)	(10,966)	7,990	(2,976)
Profit and total comprehensive income for the year	(a),(c)	43,376	(40,433)	2,943

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

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

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

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

The adoption of HKFRS 15 has no material impact to the net cash flows from operating, investing and financing activities on the consolidated statement of cash flows.

HKFRS 9 *Financial Instruments*

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

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

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

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

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	Trade and other receivables HK$'000	Contract assets HK$'000	Deferred tax assets HK$'000	Retained profits HK$'000
At 31 March 2018 – HKAS 39	140,571	–	104	110,104
Effect arising from initial application of HKFRS 15	(47,950)	96,230	–	(43,384)
Effect arising from initial application of HKFRS 9				
– Impairment under ECL model	(2,743)	(1,365)	678	(3,430)
At 1 April 2018 – HKFRS 9	89,878	94,865	782	63,290

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

HKFRS 9 *Financial Instruments* (Continued)

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

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Contract assets and trade receivables have been assessed in groups classified based on internal credit ratings, past due status and repayment history. Contract assets arising from construction contracts that are conditional on the satisfaction of the service quality by customers over a certain period as stipulated in the contracts and contract assets that relate to unbilled satisfied performance obligation have substantially the same risk characteristics as trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for trade receivables and contract assets on the same basis.

Except for those which had been determined as credit-impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits and other receivables and bank balances, is assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, loss allowances of HK$4,108,000, net of deferred tax assets of HK$678,000, have been charged against retained profits. The loss allowances were charged against the respective assets.

All loss allowances, including trade receivables, deposits and other receivables and contract assets, as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Trade receivables HK$'000	Deposits and other receivables HK$'000	Contract assets HK$'000
At 31 March 2018 – HKAS 39	–	–	–
Amounts remeasured through opening retained profits	2,605	138	1,365
At 1 April 2018 – HKFRS 9	2,605	138	1,365

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

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

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

	31 March 2018	HKFRS 15	HKFRS 9	1 April 2018 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Deferred tax assets	104	–	678	782
Current assets				
Trade and other receivables	140,571	(47,950)	(2,743)	89,878
Amounts due from customers for contract work	111,058	(111,058)	–	–
Contract assets	–	96,230	(1,365)	94,865
Current tax recoverable	–	8,573	–	8,573
Current liabilities				
Amounts due to customers for contract work	10,821	(10,821)	–	–
Capital and reserves				
Retained profits	110,104	(43,384)	(3,430)	63,290

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2018 Cycle[1]

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

HKFRS 16 *Leases*

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

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively by the Group.

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

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

HKFRS 16 *Leases* (Continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$511,000 as disclosed in Note 26(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material effect on 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

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

Variable consideration

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Variable consideration (Continued)

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

Costs to fulfil a contract

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

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

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

Revenue recognition (applied until 31 March 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the ordinary course of business. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

Dividend income from investments are recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (applied until 31 March 2018) (Continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each reporting period.

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.

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 lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

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

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

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 tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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.

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

An item of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Impairment on tangible, intangible assets and contract costs other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for used are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Interest income which are derived from the Group's ordinary course of business are presented as other income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Amortised cost and interest income

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

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

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

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

The Group recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

- 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.

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade receivables and contract assets are each assessed for expected credit losses as a separate group, bank balances and cash and other receivables are assessed on an individual basis);
- Past-due status;
- Historical repayment basis;
- Nature, size and industry of debtors; and
- Internal and/or external credit ratings where available.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Financial assets are classified 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.

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 financial assets included in trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

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

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

Objective evidence of impairment could include:

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

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 respective 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity 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 a group entity are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 April 2018)/HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of HKFRS 9 on 1 April 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Related parties

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

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

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

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

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

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

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

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 on-going 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 futures, and other key sources of estimation uncertainty at the end of each 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.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Construction contracts revenue recognition

The Group recognises its contract revenue over time by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period, measured based on the surveys of work performed to date of the individual contract of construction works relative to total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

Provision of ECL for trade receivables and contract assets

The management of the Group estimates the amount of lifetime ECL for trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, past due status and repayment history of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about lifetime ECL for the Group's trade receivables and contract assets are disclosed in Note 30(b).

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	2019 HK$'000	2018 HK$'000
Provision of formwork erection and related ancillary services	**588,980**	673,275
Provision of fit-out services	**13,792**	–
	602,772	673,275

Disaggregation of revenue from contracts with customers

	2019 HK$'000
Types of goods and services	
– Provision of formwork erection and related ancillary services	**588,980**
– Provision of fit-out services	**13,792**
	602,772
Timing of revenue recognition	
– Over time	**602,772**

Performance obligation for contracts with customers

The Group provides formwork erection and related ancillary services and fit-out services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the progress towards completion of the contract using output method.

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 amounted to HK$615,544,000. Management expects that all the remaining performance obligations will be recognised as revenue ranging from one to six years from the end of the reporting period.

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during the year are as follows:

	2019 HK$'000	2018 HK$'000
Customer A	177,316	–
Customer B	119,977	N/A [1]
Customer C	104,582	81,404
Customer D	91,555	N/A [1]
Customer E	68,631	271,399
Customer F	N/A [1]	101,844

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2019 HK$'000	2018 HK$'000
Other income		
Bank interest income	15	66
Interest income on deposits and prepayments for life insurance policy	114	115
Income from sale of scrap materials	3,216	3,092
Sundry income	3,738	2,247
	7,083	5,520
Other gains and losses, net		
Net foreign exchange (loss)/gain	(4)	4
Loss on written off or disposal of property, plant and equipment	(4)	(103)
	(8)	(99)
	7,075	5,421

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings and overdrafts	**3,609**	2,673

8. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
Profit before tax has been arrived at after charging:		
Employee benefits expense (Note):		
Salaries and other benefits in kind	**102,709**	438,026
Discretionary bonuses	**11,999**	4,613
Contributions to retirement benefit scheme	**2,930**	12,943
Total employee benefits expense, including directors' emoluments (Note 10)	**117,638**	455,582
Amortisation of premium and other expenses charged on life insurance policy	**55**	13
Auditors' remuneration	**1,200**	1,050
Depreciation of property, plant and equipment	**3,755**	3,466
Operating lease rentals in respect of:		
– Land and buildings	**1,073**	1,365
– Plant and equipment	**16,362**	16,431

Note:

During the year ended 31 March 2019, total employee benefits expense amounting to approximately HK$78,782,000 (2018: HK$427,543,000) was included in direct costs and amounting to approximately HK$38,856,000 (2018: HK$28,039,000) was included in administration and other operating expenses.

9. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current income tax:		
– Hong Kong Profits Tax	10,218	11,950
Adjustment in respect of prior years	248	–
Total current income tax	10,466	11,950
Deferred tax (Note 22)	500	(33)
Total income tax expense recognised in profit or loss	10,966	11,917

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 March 2018.

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$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the year ended 31 March 2019, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 March 2019.

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

	2019 HK$'000	2018 HK$'000
Profit before tax	54,342	67,977
Tax at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	8,966	11,216
Tax effect of temporary differences not recognised	(406)	(413)
Tax effect of income not taxable for tax purpose	(3)	(12)
Tax effect of expenses not deductible for tax purpose	1,101	1,256
Tax effect of tax losses not recognised	1,287	–
Utilisation of tax losses previously not recognised	–	(69)
Tax effect of the two-tiered profits tax rates regime	(165)	–
Adjustment in respect of prior years	248	–
Tax reduction	(62)	(61)
Income tax expense for the year	10,966	11,917

As at 31 March 2019, the Group had unused tax losses of approximately HK$11,206,000 (2018: HK$710,000), subject to agreement by the Inland Revenue Department, that are available for offset against future profits and may be carried forward indefinitely.

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

(a) Directors' and chief executive's emoluments

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

	Fees	Salaries and other benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2019					
Executive directors					
Mr. Joseph Wang	**–**	**12,000**	**5,000**	**18**	**17,018**
Mr. Wang Yu Hin	**–**	**1,423**	**275**	**18**	**1,716**
Independent non-executive directors					
Mr. Kwong Ping Man	**180**	**–**	**–**	**–**	**180**
Mr. Lai Ah Ming Leon	**180**	**–**	**–**	**–**	**180**
Mr. Sio Kam Seng (Note (ii))	**180**	**–**	**–**	**–**	**180**
Chief executive officer					
Ms. Chao Lai Heng	**–**	**4,800**	**400**	**18**	**5,218**
	540	**18,223**	**5,675**	**54**	**24,492**
For the year ended 31 March 2018					
Executive directors					
Mr. Joseph Wang	–	12,000	3,000	18	15,018
Mr. Wang Yu Hin	–	1,098	275	18	1,391
Independent non-executive directors					
Mr. Kwong Ping Man	180	–	–	–	180
Mr. Lai Ah Ming Leon	180	–	–	–	180
Mr. Lam Wai Ho (Note (i))	98	–	–	–	98
Mr. Sio Kam Seng (Note (ii))	37	–	–	–	37
Chief executive officer					
Ms. Chao Lai Heng	–	981	–	5	986
	495	14,079	3,275	41	17,890

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

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

Notes:

(i) Mr. Lam Wai Ho resigned as independent non-executive director of the Company on 17 January 2018.

(ii) Mr. Sio Kam Seng was appointed as independent non-executive director of the Company on 17 January 2018.

Mr. Joseph Wang was the chief executive officer of the Company and resigned on 18 January 2018. Mr. Joseph Wang's spouse, Ms. Chao Lai Heng, was appointed as chief executive officer of the Company on the same day.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two were directors and one was chief executive officer (2018: two were directors) of the Company whose emoluments are disclosed above. The emoluments in respect of the remaining two (2018: three) highest paid individuals are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits in kind	**2,616**	3,923
Discretionary bonuses	**2,339**	58
Contributions to retirement benefit scheme	**36**	54
	4,991	4,035

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

(b) Employees' emoluments (Continued)

The emoluments of the highest paid employees who are non-director and non-chief executive whose emoluments fell within the following bands are as follows:

	Number of individuals	
	2019	2018
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
	2	3

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDEND

No dividend was paid or proposed by the board of directors for the year ended 31 March 2019 (2018: Nil).

12. EARNINGS PER SHARE

	2019	2018
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**43,376**	56,060

	2019	2018
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,200,000**	1,200,000

The diluted earnings per share is equal to the basic earnings per share as there is no potential ordinary share in issue during the years ended 31 March 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
Balance at 1 April 2017	–	1,502	1,504	1,535	5,595	10,136
Additions	57,989	2,805	943	524	–	62,261
Disposals	–	(143)	(50)	(52)	–	(245)
Balance at 31 March 2018	57,989	4,164	2,397	2,007	5,595	72,152
Additions	**–**	**–**	**1,084**	**84**	**–**	**1,168**
Disposals	**–**	**–**	**(7)**	**–**	**–**	**(7)**
Balance at 31 March 2019	**57,989**	**4,164**	**3,474**	**2,091**	**5,595**	**73,313**
Accumulated depreciation						
Balance at 1 April 2017	–	1,259	755	1,237	3,010	6,261
Depreciation expense	1,288	289	356	181	1,352	3,466
Eliminated on disposals	–	(71)	(51)	(20)	–	(142)
Balance at 31 March 2018	1,288	1,477	1,060	1,398	4,362	9,585
Depreciation expense	**1,718**	**701**	**499**	**214**	**623**	**3,755**
Eliminated on disposals	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Balance at 31 March 2019	**3,006**	**2,178**	**1,556**	**1,612**	**4,985**	**13,337**
Carrying amounts						
Balance at 31 March 2019	**54,983**	**1,986**	**1,918**	**479**	**610**	**59,976**
Balance at 31 March 2018	56,701	2,687	1,337	609	1,233	62,567

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

Leasehold land	Over the remaining terms of the leases
Building	Over the shorter of the terms of the leases or useful life
Leasehold improvements	25%
Office equipment	20%
Furniture and fixtures	25%
Motor vehicles	25%

As at 31 March 2019, the Group has pledged certain land and building with carrying amount of approximately HK$45,428,000 (2018: HK$46,847,000) to secure its general banking facilities granted by banks (Note 21).

14. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure Mr. Joseph Wang. Under the policy, Ming Tai Construction Engineering Company Limited ("Ming Tai Construction"), an indirect wholly-owned subsidiary of the Company, is the beneficiary and policy holder and the total insured sum is United States Dollars ("US$") 1,033,000 (equivalent to approximately HK$8,021,000). Ming Tai Construction is required to pay upfront deposits of approximately US$500,000 (equivalent to approximately HK$3,883,000). Ming Tai Construction can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US$500,000 (equivalent to approximately HK$3,883,000) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the twentieth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ming Tai Construction a minimum guaranteed interest of 3% per annum for the insured period.

The directors of the Company consider that the possibility of terminating the policy during the first to twentieth policy year was low and the expected life of the life insurance policy remains unchanged since its initial recognition. The deposits and prepayments for life insurance policy are denominated in US$.

15. TRADE AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**81,976**	88,805
Less: loss allowance for trade receivables	**(407)**	–
	81,569	88,805
Retention receivables*	**–**	47,950
Deposits and other receivables	**841**	2,896
Prepayments	**3,884**	920
Less: loss allowance for deposits and other receivables	**(9)**	–
	86,285	140,571

* Upon initial application of HKFRS 15, the retention receivables were reclassified to contract assets (Note 17).

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers, net of loss allowances under HKFRS 9, amounted to approximately HK$81,569,000 and HK$86,200,000 respectively.

As at 31 March 2018, except for retention receivables of approximately HK$46,589,000 which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

The Group allows a credit period ranging from 7 to 56 days (2018: 7 to 56 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

15. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables presented based on the date of progress certificates issued by customers, at the end of the reporting period, are as follows:

	2019 **HK$'000**	2018 HK$'000
0 – 30 days	**44,769**	50,864
31 – 60 days	**30,024**	25,526
61 – 90 days	**7,011**	12,162
91 – 180 days	**–**	253
Over 180 days	**172**	–
	81,976	88,805

As at 31 March 2018, trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2018 HK$'000
Overdue by:	
1 – 30 days	28,853
31 – 60 days	12,252
	41,105

Prior to 1 April 2018, the Group's policy for impairment loss on trade receivables under HKAS 39 is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicating that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances. The other classes within trade and other receivables do not contain impaired assets as at 31 March 2018. The Group does not hold any collateral as security.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in Note 30(b).

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

	2018 HK$'000
Contract costs incurred plus recognised profits less recognised losses	1,881,889
Less: progress billings received and receivables	(1,781,652)
	100,237
Analysed for reporting purposes as:	
Amounts due from customers for contract work	111,058
Amounts due to customers for contract work	(10,821)
	100,237

As at 31 March 2018, retentions held by customers for contract work amounted to approximately HK$47,950,000, as set out in Note 15. Retention monies withheld by customers for contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

17. CONTRACT ASSETS

	31 March 2019 HK$'000	1 April 2018* HK$'000
Analysed as current:		
Retention receivables of construction contracts (Note (a))	**44,337**	47,950
Unbilled revenue of construction contracts (Note (b))	**66,727**	48,280
Less: loss allowance for contract assets	**(847)**	(1,365)
	110,217	94,865

* The amounts in this column are after the adjustments from the initial application of HKFRS 9 and 15.

Notes:

(a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually one to two years after the completion of construction work.

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

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

Details of the impairment assessment are set out in Note 30(b).

18. CONTRACT COSTS

	2019 HK$'000
Cost to fulfil contracts:	
– Materials	**1,739**

Contract costs capitalised as at 31 March 2019 relate to materials acquired to be used in satisfying or continuing to satisfy performance obligations of respective construction contracts in the future. Contract costs are recognised as part of direct costs in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related construction contracts is recognised.

19. BANK BALANCES AND CASH

	2019 HK$'000	2018 HK$'000
Bank balances and cash in the consolidated statement of financial position	**92,733**	57,066
Less: restricted bank balances	**(3,000)**	–
Cash and cash equivalents in the consolidated statement of cash flows	**89,733**	57,066

Restricted bank balances are short-term fixed deposits with interest rate at 0.30% per annum and placed in bank to secure general banking facilities as at 31 March 2019.

Bank balances earn interests at floating rate based on daily bank deposit rates and are placed with creditworthy banks with no recent history of default.

20. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**33,470**	21,346
Bills payables	**18,748**	36,371
Retention payables	**7,413**	5,540
Other payables and accruals	**31,222**	27,936
	90,853	91,193

The credit period on trade payables is generally 30 to 60 days (2018: 30 to 60 days).

As at 31 March 2019, included in trade payables was approximately HK$2,984,000 (2018: HK$952,000) payable to a related company, Genuine Treasure Construction Material Limited. Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Construction Material Limited.

20. TRADE AND OTHER PAYABLES (Continued)

As at 31 March 2019, included in trade payables was approximately HK$5,823,000 (2018: HK$1,973,000) payable to a related company, Genuine Treasure Access and Scaffolding Limited. Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

The ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period, are as follows:

	2019 **HK$'000**	2018 HK$'000
0 – 30 days	**17,460**	5,363
31 – 60 days	**3,626**	4,776
61 – 90 days	**7,572**	7,805
91 – 180 days	**4,172**	3,262
Over 180 days	**640**	140
	33,470	21,346

As at 31 March 2019, bills payables have original maturities of ranging from 120 days to 123 days (2018: from 120 days to 123 days).

Except for retention payables of approximately HK$2,342,000 (2018: HK$2,848,000) as at 31 March 2019 which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

21. BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Bank loans – secured	**54,676**	49,374

Notes:

(i) All bank loans of the Group as at 31 March 2019 and 2018 contain unconditional repayment on demand clauses and are included in current liabilities.

(ii) As at 31 March 2019, the bank loans bear interest at floating rates ranging from 3.68% to 5.27% per annum (2018: 2.42% to 5.25% per annum).

(iii) The Group's banking facilities granted by certain banks were secured/guaranteed by:

- Unlimited corporate guarantee by the Company as at 31 March 2019 and 2018;
- Land and building owned by the Group (Note 13) and an assignment of insurance policy in respect of the property as at 31 March 2019 and 2018;
- Charge over account with certain banks as at 31 March 2019;
- Deed of assignment of receivables with carrying amount of HK$20,707,000 as at 31 March 2019;
- Charge on fixed deposits for not less than HK$3,000,000 or its 103% equivalent in US$ or its 110% equivalent in other foreign currencies as at 31 March 2019; and
- Deed of charge for unlimited amount securing moneys due in respect of a factoring agreement with a bank as at 31 March 2019.

22. DEFERRED TAX

The movements in the Group's deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	ECL provision	Losses available for offsetting against future taxable profits	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2017	–	–	–
Credited to profit or loss	–	104	104
At 31 March 2018	–	104	104
Impact of HKFRS 9	**678**	**–**	**678**
At 1 April 2018	**678**	**104**	**782**
(Charged)/credited to profit or loss	**(469)**	**24**	**(445)**
At 31 March 2019	**209**	**128**	**337**

Deferred tax liabilities

	Depreciation allowances in excess of the related depreciation
	HK$'000
At 1 April 2017	–
Charged to profit or loss	71
At 31 March 2018 and 1 April 2018	71
Charged to profit or loss	**55**
At 31 March 2019	**126**

Deferred tax assets have been recognised in respect of approximately HK$778,000 (2018: HK$630,000) of the Group's tax losses at 31 March 2019. Deferred tax assets have not been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams in certain group entities.

23. SHARE CAPITAL

	Number of ordinary shares	Share capital HK$
Ordinary share of HK$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019	**2,000,000,000**	**20,000,000**
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 31 March 2019	**1,200,000,000**	**12,000,000**

24. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Scheme") pursuant to a resolution passed on 17 January 2017. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant any employees (full-time or part-time), directors, consultants or advisers of the Group, or any substantial shareholder of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, options to subscribe for shares of the Company. The basis of eligibility of any participant to the grant of any option shall be determined by the board of directors (or as the case may be, the independent non-executive directors) from time to time on the basis of the contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange.

The 10% limit as mentioned above may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by Company's shareholders in general meeting with such grantee and his close associates abstaining from voting. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Company's shareholders and the date of board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

24. SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company (or any of their respective close associates) must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option). Where any grant of options to a substantial shareholder or an independent non-executive director (or any of their respective close associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options is required to be approved by the Company's shareholders at general meeting of the Company, with voting to be taken by way of poll. Any change in the terms of an option granted to a substantial shareholder or an independent non-executive director or any of their respective close associates is also required to be approved by the Company's shareholders in the aforesaid manner.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the board of directors and notified to a participant and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of a share on the date of grant of the option.

The Scheme will remain in force for a period of ten years commencing from 17 January 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Company's shareholders in general meeting.

There was no share option granted to eligible participants during the year ended 31 March 2019 (2018: Nil). There was no outstanding share options as at 31 March 2019 (2018: Nil).

25. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of an independent trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,930,000 (2018: HK$12,943,000) and represent contributions paid or payable to the MPF Scheme by the Group for the year ended 31 March 2019.

26. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of reporting period not provided for in the consolidated financial statements are as follows:

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**130**	1,808

(b) Operating lease commitments – Group as lessee

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

	2019 HK$'000	2018 HK$'000
Within one year	**511**	607
In the second to fifth years inclusive	**–**	96
	511	703

Operating lease relates to premises with lease term of 3 months to 2 years (2018: 6 months to 2 years) and the rentals are fixed throughout the lease period.

27. PERFORMANCE BONDS AND CONTINGENT LIABILITIES

A customer of a construction contract undertaken by the Group required Ming Tai Construction, an indirect wholly-owned subsidiary of the Company, to issue guarantees for the performance of contract works in the form of performance bonds of HK$12,000,000 as at 31 March 2017. The performance bonds will not be released until Ming Tai Construction submits a copy of the notification of the completion of the sub-contract works which is accepted formally by the customer or until March 2019 whichever shall be first occurred. During the financial year ended 31 March 2018, the performance bonds had already been early released as the sub-contract works were completed.

28. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

Details of outstanding balances with related parties are set out in Note 20.

(b) Material related party transactions

The Group entered into the following material related party transactions during the year:

Name of related parties	Nature	2019 HK$'000	2018 HK$'000
First Land Enterprises Limited (Note (i))	Rental charge	–	257
Genuine Treasure Construction Material Limited (Note (iii))	Purchase of construction materials	2,861	6,588
	Transportation and plant hiring charge	1,808	297
Genuine Treasure Access and Scaffolding Limited (Note (ii))	Scaffolding & equipment rental charge	14,553	13,104
	Metal scaffold assembly services	137	–
	Purchase of construction materials	–	40

Notes:

(i) Mr. Joseph Wang resigned as director and disposed of his shares to his close family member in First Land Enterprises Limited during the year ended 31 March 2018.

(ii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

(iii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.

(iv) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

The related party transactions in respect of items (i), (ii) and (iii) above also constitute connected transactions and/or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

28. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	**32,101**	22,810
Post-employment benefits	**126**	102
	32,227	22,912

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 borrowings net of cash and cash equivalents, and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, the Group manages its overall capital structure through the payment of dividends and the issue of new shares.

The net debt to equity ratio at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Debts (Note (i))	**54,676**	49,374
Less: cash and cash equivalents (Note (ii))	**(89,733)**	(57,066)
Net debt	**(35,057)**	(7,692)
Equity (Note (iii))	**220,030**	223,468
Net debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debts represent borrowings as detailed in Note 21.

(ii) Cash and cash equivalents as detailed in Note 19.

(iii) Equity includes all capital and reserves attributable to owners of the Company.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost	**175,134**	N/A
Loans and receivables (including bank balances and cash)	**N/A**	196,717
Financial liabilities		
Financial liabilities at amortised cost	**145,529**	140,567

(b) Financial risk management objectives and policies

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

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances for the years ended 31 March 2019 and 2018 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

30. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk management

The Group's exposure to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 21 for details of the borrowings). The Group continuously evaluates its debt portfolio to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's bank borrowings.

The directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period and the interest rates of bank deposits are not expected to change significantly.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for interest bearing bank borrowings 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. A 100 basis points increase and decrease are used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate on borrowings had been 100 basis points higher and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2019 and 2018 would decrease by approximately HK$457,000 and HK$143,000 respectively as a result of the Group's exposure to interest rates on its variable-rate bank borrowings. If interest rate had been 100 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the post-tax profit.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year ended exposure does not reflect the exposure during the year.

(iii) Price risk

As the Group has no significant investments in financial assets measured at FVTPL or FVTOCI, the Group is not exposed to significant equity price risk.

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

30. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment

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

At the end of the reporting period, the Group had certain concentration of credit risk as 38% and 19% of the Group's trade receivables and contract assets respectively were due from the Group's largest single customer.

In order to minimise the credit risk, the management of the Group monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances based on provision matrix. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

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

Internal credit rating	**Description**	**Trade receivables/ contract assets**	**Bank balances/ deposits and other receivables**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settles after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no reasonable expectations of recovery	Amount is written off	Amount is written off

30. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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

2019	**12m or lifetime ECL**	**Gross carrying amounts** HK$'000
Financial assets at amortised cost		
Trade receivables (Note (iii))	Lifetime ECL	81,976
Deposits and other receivables (Note (ii))	12m ECL	841
Bank balances and cash (Note (i))	12m ECL	92,733
Other item		
Contract assets (Note (iii))	Lifetime ECL	111,064

Notes:

(i) All bank balances were placed in banks with high credit rating assigned by international credit-rating agencies or with good reputation. In the opinion of the directors of the Company, credit risk on these bank balances is insignificant.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The balances of deposits and other receivables are not past due.

(iii) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items individually and/or by using a provision matrix, grouped by combined effect of internal credit rating and/or external credit ratings where available, past due status and repayment history for general customers.

The loss allowances for trade receivables, deposits and other receivables and contract assets were determined as follows:

	Weighted average loss rate	**Gross carrying amounts** HK$'000	**Loss allowances** HK$'000	**Net carrying amounts** HK$'000
Trade receivables	0.50%	81,976	(407)	81,569
Deposits and other receivables	1.07%	841	(9)	832
Contract assets	0.76%	111,064	(847)	110,217

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

30. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised or reversed for trade receivables and contract assets under the simplified approach and ECL that has been recognised or reversed for deposits and other receivables.

	Trade receivables		Contract assets	Deposits and other receivables			
	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – not credit-impaired	12m ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2018-HKAS 39	–	–	–	–	–	–	–
Adjustment upon application of HKFRS 9	2,605	–	1,365	28	–	110	4,108
As at 1 April 2018 (restated)	2,605	–	1,365	28	–	110	4,108
Loss allowance reversed	(2,605)	–	(1,104)	(22)	–	(110)	(3,841)
Loss allowance recognised	382	25	586	3	–	–	996
As at 31 March 2019	382	25	847	9	–	–	1,263

Changes in the loss allowances for trade receivables and contract assets are mainly due to changes in the gross amounts of trade receivables and contract assets during the year and improved customers' credit risk profile.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

30. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

	Weighted average effective interest rate	On demand or within one year HK$'000	One to five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amounts HK$'000
As at 31 March 2019					
Non-derivative financial liabilities					
Trade and other payables	**–**	**90,853**	**–**	**90,853**	**90,853**
Borrowings	**4.2%**	**54,676**	**–**	**54,676**	**54,676**
		145,529	**–**	**145,529**	**145,529**
As at 31 March 2018					
Non-derivative financial liabilities					
Trade and other payables	–	91,193	–	91,193	91,193
Borrowings	3.9%	49,374	–	49,374	49,374
		140,567	–	140,567	140,567

30. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables (Continued)

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank loans based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

	Weighted average effective interest rate	Within one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Bank loans – secured						
As at 31 March 2019	**4.2%**	**36,224**	**9,132**	**16,446**	**61,802**	**54,676**
As at 31 March 2018	3.9%	33,875	4,698	16,737	55,310	49,374

(c) Fair value measurement of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank loans HK$'000 (Note 21)	Total HK$'000
At 1 April 2017	20,746	20,746
Proceeds from borrowings	71,610	71,610
Repayment of borrowings	(42,982)	(42,982)
At 31 March 2018 and 1 April 2018	49,374	49,374
Proceeds from borrowings	**83,107**	**83,107**
Repayment of borrowings	**(77,805)**	**(77,805)**
At 31 March 2019	**54,676**	**54,676**

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2019 are set out as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
MT Construction Limited	British Virgin Islands (the "BVI")	US$1	100% (direct)	Investment holding
MT Engineering Limited	BVI	US$1	100% (direct)	Investment holding
MT Technology Limited	BVI	US$1	100% (direct)	Investment holding
MT Sunshine Limited	BVI	US$1	100% (direct)	Dormant
Lucky Profit Enterprises Limited	BVI	US$100	100% (direct)	Investment holding
Ming Tai Construction	Hong Kong	HK$1,000,000	100% (indirect)	Provision of formwork erection and related ancillary services
Ming Tai Civil Engineering Company Limited	Hong Kong	HK$10,000	100% (indirect)	Provision of formwork erection and related ancillary services
Genuine Treasure Construction Technology Company Limited	Hong Kong	HK$10,000	100% (indirect)	Development of construction technology and related consultancy services
Harvest Full Properties Limited	Hong Kong	HK$100	100% (indirect)	Properties holding and investment
Rich Tone Capital Resources Limited	Hong Kong	HK$100	100% (indirect)	Investment holding

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
Win Tai Billion Limited	Hong Kong	HK$100	100% (indirect)	Building construction
Apex Union Development Limited	Hong Kong	HK$100	100% (indirect)	Investment holding
Champion Time Engineering Limited	Hong Kong	HK$100	100% (indirect)	Provision of fit-out services
H.S. Design Service Company Limited (formerly known as Ming Tai Iron Works Engineering Co., Limited)	Hong Kong	HK$100	100% (indirect)	Provision of engineering design services
Ming Tai (Macau) Construction Engineering Limited	Macau	Macau Pataca 25,000	100% (indirect)	Dormant

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	**62,585**	62,585
Current assets		
Prepayments	**206**	217
Amounts due from subsidiaries	**46,902**	83,139
Bank balances and cash	**51,507**	18,692
	98,615	102,048
Total assets	**161,200**	164,633
Current liabilities		
Other payables and accruals	**1,403**	1,125
Amount due to a subsidiary	**3,704**	–
	5,107	1,125
Net current assets	**93,508**	100,923
Net assets	**156,093**	163,508
Capital and reserves		
Share capital	**12,000**	12,000
Reserves	**144,093**	151,508
Total equity	**156,093**	163,508

Mr. Wang Kei Ming
Director

Mr. Wang Yu Hin
Director

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

MOVEMENT IN THE COMPANY'S RESERVES

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2017	100,344	129,214	(75,569)	153,989
Loss and total comprehensive expense for the year	–	–	(2,481)	(2,481)
Balance at 31 March 2018 and 1 April 2018	100,344	129,214	(78,050)	151,508
Loss and total comprehensive expense for the year	**–**	**–**	**(7,415)**	**(7,415)**
Balance at 31 March 2019	**100,344**	**129,214**	**(85,465)**	**144,093**

Special reserve

Special reserve represents the difference between the nominal value of shares issued by the Company pursuant to the corporate reorganisation undertaken on 28 June 2016 and the aggregate net asset value of the subsidiaries acquired.

34. ARBITRATION

Ming Tai Construction, a wholly-owned subsidiary of the Group, submitted two applications for arbitration (the "Applications") to the Hong Kong International Arbitration Centre against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "Joint Venture"). Pursuant to the Applications, Ming Tai Construction (as the "Applicant") initiated an arbitration against the Joint Venture (as the "Respondent") in respect of disputes arising from two subcontracts. The Respondent indicated to counterclaim against the Applicant.

The Applicant claims, among others, that the Joint Venture failed to properly assess extensions of time and value sums due to Ming Tai Construction under the two subcontracts entered between Ming Tai Construction and the Joint Venture in June 2012 and September 2015, respectively, and caused delay and disruption to the progress and completion of the subcontract works and such delay and disruption caused Ming Tai Construction to incur loss and/or expense. The Applicant seeks, among other things, relief for the extension of time for the two subcontracts and loss suffered by them in the aggregate amount of approximately HK$273 million, being the outstanding payment by the Joint Venture under the two subcontracts.

As at the date of the approval of these consolidated financial statements, the hearing of the aforementioned arbitration has not yet commenced and the effects on the Group cannot be assessed at this moment.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**602,772**	673,275	603,839	481,943	287,660
Direct costs	**(496,314)**	(563,636)	(487,301)	(389,711)	(231,644)
Gross profit	**106,458**	109,639	116,538	92,232	56,016
Profit before tax	**54,342**	67,977	78,380	61,998	40,087
Income tax expense	**(10,966)**	(11,917)	(14,597)	(12,207)	(5,817)
Profit and total comprehensive income for the year attributable to owners of the Company	**43,376**	56,060	63,783	49,791	34,270

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**366,999**	376,383	309,432	260,489	162,834
Total liabilities	**(146,969)**	(152,915)	(142,024)	(141,208)	(90,404)
	220,030	223,468	167,408	119,281	72,430
Equity attributable to owners of the Company	**220,030**	223,468	167,408	119,281	72,430