上諭集團控股有限公司
SHEUNG YUE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1633

ANNUAL REPORT 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Lap Wai Gary
Mr. Chan Lap Chuen Edmond
Ms. Chan Chin Ying Amanda

Independent Non-executive Directors

Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung
Mr. Wong Yip Kong

AUDIT COMMITTEE

Mr. Cheng Chi Hung
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Wong Yip Kong

REMUNERATION COMMITTEE

Mr. Wong Yip Kong
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung

NOMINATION COMMITTEE

Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung
Mr. Wong Yip Kong

AUTHORISED REPRESENTATIVES

Mr. Chan Lap Wai Gary
Mr. Lui Shun Wa Alexander

COMPANY SECRETARY

Mr. Lui Shun Wa Alexander

AUDITOR

Elite Partners CPA Limited

LEGAL ADVISER

D. S. Cheung & Co.

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank Limited
Wing Lung Bank Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 103-105, 1/F
New East Ocean Centre
9 Science Museum Road
Tsimshatsui East
Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE

www.simonandsons.com.hk

STOCK CODE

1633

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Sheung Yue Group Holdings Limited (the "**Company**"), it gives me great pleasure to present you the audited financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 (the "**Reporting Period**").

The Group has over 48 years of experience in the provision of foundation works and ancillary services in Hong Kong and Macau. We are a well-established contractor with job references both in large scale infrastructure projects and in housing and commercial buildings development in both private and public sectors. The commitment of our strong and dedicated management team to provide quality work and service has played a vital role in building up the Group's reputation for its excellence in expertise and experience.

The year ended 31 March 2019 was a year full of challenges to the Group. Intense competition, shortage of skilled labour and rising construction costs have caused the dilution in the profit margin of our construction works projects, and are expected to hinder the growth of the construction industry in the coming year. Despite the challenges ahead, the Directors believe that the Government's long term policies for large scale infrastructure projects and land supply to public and private sectors will favour the demand of the Group's business and the Group is well-positioned to take up new projects in the coming year. To maintain our competitiveness, the Group endeavours to adhere to it business strategy, reinforce our capability in foundation design and project management skills and diversify our services portfolio in order to capture more business opportunities. In addition, the Group will keep exploring various potential business opportunities that will broaden our sources of revenue so that our shareholders' return can be maximized.

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders, customers and suppliers for their continuous support, as well as the management team and the staff of the Group for their hard work and contributions in the past year.

The Board declares no final dividend for the year under review.

Mr. Chan Lap Wai Gary
Chairman

Hong Kong, 27 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group was engaged in the provision of foundation works in Hong Kong and Macau. The scope of foundation works undertaken by us mainly includes piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services).

As at 31 March 2019, there are seven projects on hand with total contract sum amounting to approximately HK$557.5 million. Three projects are expected to be completed in the forthcoming financial year. Subsequent to the financial year end, the Group was awarded two foundation projects with total contract sum amounting to approximately HK$79.1 million.

PROSPECTS

The year ended 31 March 2019 was a year full of challenges to the Group. Intense competition, shortage of skilled labour and rising construction costs have caused the dilution in the profit margin of our construction works projects, and are expected to hinder the growth of the construction industry in the coming year. Despite the challenges ahead, the Directors believe that the Government's long term policies for large scale infrastructure projects and land supply to public and private sectors will favour the demand of the Group's business and the Group is well-positioned to take up new projects in the coming year. To maintain our competitiveness, the Group endeavours to adhere to it business strategy, reinforce our capability in foundation design and project management skills and diversify our services portfolio in order to capture more business opportunities. In addition, the Group will keep exploring various potential business opportunities that will broaden our sources of revenue so that our shareholders' return can be maximized.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Year was approximately HK$241,612,000 (for the Previous Year: approximately HK$220,240,000), representing an increase of approximately 9.7% over the Previous Year. The increase was because the Group undertook some more foundation works projects during the Year.

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

The gross profit decreased from approximately HK$7,716,000 for the year ended 31 March 2018 to the gross loss of approximately HK$8,554,000 for the Year. The Group's gross loss margin during the Year was approximately 3.5% (gross profit margin for the Previous Year: approximately 3.5%).

The decline in gross profit margin was mainly due to a decrease in gross profit margin of the newly tendered foundation works projects of the Group during the Year as a result of the lower bidding prices on the new tenders.

General and Administrative Expenses

The Group's administrative expenses for the Year were approximately HK$50,102,000 (for the Previous Year: approximately HK$40,456,000), representing an increase of approximately 23.8% over the Previous Year. This was mainly due to increase in impairment of contract assets during the Year as compared to the Previous Year.

Income Tax Credit

The Group's income tax credit for the Year was approximately HK$7,680,000 (for the Previous Year: approximately HK$4,904,000).

Net Loss

As a result of the abovementioned, the Group reported a net loss for the year of approximately HK$45,321,000 (for the Previous Year: approximately HK$25,716,000).

Liquidity, Financial Resources and Capital Structure

As at 31 March 2019, the Group had bank balances of approximately HK$41.0 million (as at 31 March 2018: approximately HK$50.1 million). The interest-bearing debts of the Group as at 31 March 2019 was approximately HK$5.5 million (as at 31 March 2018: approximately HK$2.3 million). The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratio of the Group as at 31 March 2019 was approximately 3.3% (as at 31 March 2018: approximately 1.0%), as a result of the increase in bank loan during the Year.

Pledge of Assets

The Group's plant and machinery with an aggregate net book value of approximately HK$2.8 million and HK$6.3 million as at 31 March 2019 and 31 March 2018, respectively, were held under finance leases.

As at 31 March 2019, banking facilities were secured by the Group's bank deposits amounting to approximately HK$19,671,000 (as at 31 March 2018: HK$18,126,000).

Foreign Exchange Risk

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

Employees and Remuneration Policy

As at 31 March 2019, the Group employed 94 employees. Total remuneration costs including directors' emoluments for the Year, amounted to approximately HK$41.9 million (for the Previous Year: approximately HK$49.4 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

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

Capital Commitments

The Group did not have any capital commitments as at 31 March 2019 (as at 31 March 2018: Nil).

Contingent Liabilities

As at 31 March 2019, the Group did not have any significant contingent liabilities (as at 31 March 2018: Nil).

Use of Proceeds from Initial Public Offering

The net proceeds of the share offer received by the Company in relation to the Listing were approximately HK$95.3 million, after deduction of underwriting fees and commissions and expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds" in the prospectus of the Company dated 31 October 2016 (the "**Prospectus**"). The below table sets out the proposed applications of the net proceeds and usage up to date of this report:

	Planned use of proceeds HK$'000	Actual usage up to the date of announcement of annual results for the year ended 31 March 2018 (27 June 2018) HK$'000	Unutilised proceeds as at the date of announcement of annual results for the year ended 31 March 2018 (27 June 2018) HK$'000	Actual usage up to the date of announcement of interim results for the six months ended 30 September 2018 (28 November 2018) HK$'000	Unutilised proceeds as at the date of announcement of interim results for the six months ended 30 September 2018 (28 November 2018) HK$'000	Actual usage up to the date of this report HK$'000	Unutilised proceeds as at the date of this report HK$'000
Purchase of machinery and equipment	67,048	14,039	53,009 *(Note 1)*	23,399	43,649 *(Note 2)*	38,949	28,099 *(Note 3)*
Taking out surety bond	19,466	19,466	–	19,466	–	19,466	–
Expansion of workforce	7,299	6,002	1,297	7,299	–	7,299	–
General working capital	1,512	1,512	–	1,512	–	1,512	–
	95,325	41,019	54,306	51,676	43,649	67,226	28,099

Note 1:

For the unutilised proceeds with an amount of approximately HK$53,009,000 for the purchase of machinery and equipment, we expect to apply such unutilised proceeds, in particular, approximately HK$16,260,000, HK$17,280,000, HK$15,579,000 and HK$3,890,000, respectively, in purchasing pile drivers, hydraulic hammers, crawler cranes and pre-boring rigs, within 21 months after the date of the announcement of annual results for the year ended 31 March 2018 (i.e. 27 June 2018).

Note 2:

For the unutilised proceeds with an amount of approximately HK$43,649,000 for the purchase of machinery and equipment, we expect to apply such unutilised proceeds, in particular, approximately HK$13,360,000, HK$11,900,000, HK$14,499,000 and HK$3,890,000, respectively, in purchasing pile drivers, hydraulic hammers, crawler cranes and pre-boring rigs, within 16 months after the date of the announcement of interim results for the six months ended 30 September 2018 (i.e. 28 November 2018).

Note 3:

For the unutilised proceeds with an amount of approximately HK$28,099,000 for the purchase of machinery and equipment, we expect to apply such unutilised proceeds, in particular, approximately HK$9,860,000, HK$9,300,000, HK$6,099,000 and HK$2,840,000, respectively, in purchasing pile drivers, hydraulic hammers, crawler cranes and pre-boring rigs, within 9 months after the date of this report (i.e. 27 June 2019).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

No purchase, sale or redemption of the Company's listed securities was made from the Listing Date and up to the date of this report.

Compliance with the corporate governance code

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial to the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of the shareholders of the Company.

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules from the Listing Date and up to the date of this report.

Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). In response to a specific enquiry by the Company, all Directors have confirmed that they complied with the requirements of the Model Code since the Listing Date and up to the date of this report.

Audit Committee

The Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the Listing Rules with terms of reference aligned with the provision of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee is to serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits. The Audit Committee comprises three independent non-executive directors, namely Mr. Cheng Chi Hung (chairman), Mr. Li Hon Hung, *BBS, MH, JP* and Mr. Wong Yip Kong.

Dividend Policy

The declaration of payment of dividends are subject to the criteria set out in the dividend policy adopted by the Company (the "**Dividend Policy**"), shall remain to be determined at the sole discretion of the Board and are subject to all applicable laws and regulations and the Articles of Association of the Company. The Board shall take into account the following factors, among other factors, when considering the declaration and payment of dividends:

(a) the Group's overall results of operation, financial position, liquidity position, capital requirements, cash flow and future prospects;

(b) the amount of distributable reserves of the Company;

(c) the expected capital requirements and future expansion plans of the Group;

(d) the general business and regulatory conditions, the business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(e) the statutory and regulatory restrictions;

(f) the contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries of the Company to the Company;

(g) the Shareholders' interests; and

(h) other factors that the Board deems relevant.

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

Publication of Annual Report

This report will be despatched to the shareholders of the Company and is available on the websites of the Company and the Stock Exchange in due course.

DIRECTORS

Executive Directors

Mr. CHAN Lap Wai Gary (陳立緯先生), aged 61, is our Chairman, executive Director and a director of Favourable Year Limited ("**Favourable Year**"), Rainbow Republic Limited ("**Rainbow Republic**"), Simon & Sons Engineering Limited ("**Simon & Sons**") and Simon & Sons Engineering (Macau) Limited ("**Simon & Sons (Macau)**"). He is also one of our controlling shareholders. Mr. Gary Chan has over 39 years of experience in the building and construction industry in Hong Kong and is primarily responsible for the formulation of the overall business development strategy and the overall management and major business decisions of our Group. Between September 1980 and October 1986, Mr. Gary Chan worked as an assistant manager in Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, and was responsible for the general management of projects, formulating company policies and advising our managers and supervisors. Since November 1986, Mr. Gary Chan has been the executive director, and later re-designated as the managing director, of Simon & Sons, our principal operating subsidiary, and has been responsible for the overall business operations. Furthermore, since April 2002, Mr. Gary Chan has been a director of Simon & Sons (Macau), one of our operating subsidiaries, and is responsible for overseeing the overall business development and operations in Macau.

Mr. Gary Chan graduated from University of Waterloo Canada with a Bachelor of Arts in Economics in May 1980. He obtained a certificate in Quantity Surveying from The Hong Kong Institute of Estimators and Site Agent in March 1987. He also completed a Professional Diploma in Project Management from The Hong Kong Management Association in January 2003.

Mr. Gary Chan is the brother of Mr. Edmond Chan, our executive Director and Chief Executive Officer, and Ms. Amanda Chan, our executive Director.

Mr. CHAN Lap Chuen Edmond (陳立銓先生), aged 60, is our Chief Executive Officer, executive Director and a director of Favourable Year, Rainbow Republic, Simon & Sons and Vanbo Engineering Limited ("**Vanbo Engineering**"). He is also one of our controlling shareholders. Mr. Edmond Chan has over 38 years of experience in the building and construction industry in Hong Kong. He is responsible for the formulation of the overall business development strategy and the execution of daily management and administration of our business and operations. Between November 1980 and October 1986, Mr. Edmond Chan worked as an assistant manager in Simon Construction & Engineering Company, a sole proprietorship in Hong Kong principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, and was responsible for management of all projects and directing and supervising the operational management staff of our Group. Since November 1986, Mr. Edmond Chan has been a director of Simon & Sons, our principal operating subsidiary, and has been responsible for its day-to-day business operations. He also assumed the roles of site manager between November 1986 and March 1995, general manager (site work) between April 1995 and March 2011 and executive director since 2011 in Simon & Sons. Furthermore, since February 1993, Mr. Edmond Chan has been a director of Vanbo Engineering, one of our operating subsidiaries, and is responsible for overseeing its business operations in piling projects and provision of loading test services in Hong Kong.

Mr. Edmond Chan graduated from University of Waterloo Canada with a Bachelor of Mathematics in October 1980. He was admitted as a member of the Society of Environmental Engineer in the United Kingdom in January 2011 and of the Society of Professional Engineers in London in February 2011. He was also admitted as a Chartered Building Engineer by the Chartered Association of Building Engineers in December 2015. Since July 2011, he has been a Charter Member and a director of Hong Kong Lions Club of Sham Shui Po and served as the president between 2013 and 2014. Since February 2015, he has also served as a director of Asia Pacific Creativity Industrial Association Limited.

Mr. Edmond Chan is the brother of Mr. Gary Chan, our executive Director and Chairman, and Ms. Amanda Chan, our executive Director.

Ms. CHAN Chin Ying Amanda (陳千瑩女士), aged 59, is our executive Director and a director of Favourable Year, Rainbow Republic and Simon & Sons. She is also one of our controlling shareholders. Ms. Amanda Chan has over 37 years of experience in the building and construction industry in Hong Kong. She is responsible for the overall administration, maintaining quality control and monitoring our safety and environmental compliance. Between March 1982 and October 1986, Ms. Amanda Chan worked as an assistant administration manager in Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder. She was responsible for the overall management of its financial and operation matters. Since November 1986, Ms. Amanda Chan has been a director of Simon & Sons, our principal operating subsidiary, and has been responsible for the overall administration and matters relating to human resources of the Simon & Sons. She also assumed the roles of administration manager between November 1986 and March 1998, quality manager between April 1998 and January 2008 and the Certified Quality and Environmental Manager since 2008 in Simon & Sons.

Ms. Amanda Chan obtained a Diploma in Business Management from Society of Business Practitioners in the United Kingdom in June 2001. She has been a fellow member of The Hong Kong Institute of Certified Auditors since January 2008. She was admitted as a Certified Quality Manager in January 2008, a Certified Environmental Manager in January 2008 and a Certified Internal Auditor of Quality and Environmental in January 2008.

Ms. Amanda Chan is the sister of Mr. Gary Chan, our executive Director and Chairman, and Mr. Edmond Chan, our executive Director and Chief Executive Officer.

Independent Non-executive Directors

Mr. LI Hon Hung, *BBS, MH, JP* (李漢雄先生, *BBS, MH, JP*), aged 62, is our independent non-executive Director. Mr. Li has over 26 years of experience in the architectural field. Since July 1993, he has been a director of A. Li & Associates Architects Limited, a company principally engaged in design and architecture services. Since October 2011, he has also served as a non-executive director of Luk Fook Holdings (International) Limited, a company listed on the Stock Exchange (stock code: 590) and principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of jewellery.

Mr. Li obtained a Diploma of Architectural Design from Humber College, Canada in June 1981. He further obtained a Bachelor of Architecture from New York Institute of Technology in June 1984. Mr. Li was admitted as a Registered Authorised Person (List of Architects) and a Registered Inspector (List of Architects) in 1989 and 2012, respectively. He was admitted as a member, a corporate member and a fellow of The Hong Kong Institute of Architects in February 1991, August 2007 and September 2009, respectively. He is a registered architect under the register list maintained by Architect Registration Board. In August 2004, he obtained the PRC Class 1 Registered Architect Qualification.

Mr. CHENG Chi Hung (鄭志洪先生), aged 59, is our independent non-executive Director. Mr. Cheng has over 21 years of experience in auditing and accounting. His previous working experience includes the following:

Name of companies	Principal business activities	Position	Period of services
Horwath & Horwath	Accounting	Junior Audit Clerk	February 1986 – October 1987
Tony Nedderman & Co.	Accounting	Taxation Semi-senior	November 1987 – September 1988
Pollard Construction Co., Ltd.	Engineers and civil contractors	Accountant Accounting Manager	September 1990 – June 1992 January 1993 – April 1994
The Official Receiver's Office	Insolvency	Temporary Insolvency Officer II	December 1999 – November 2000
Patrick P.K. Chiang & Co.	Accounting	Audit Supervisor	September 2002 – February 2005
C.H. Cheng & Co.	Accounting	Auditor	July 2005 – present

Mr. Cheng obtained a Master of Business Administration and a Postgraduate Certificate in Information Technology from The Open University of Hong Kong in December 1999 and December 2001, respectively. He also obtained a HKICPA Diploma in Insolvency from the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Cheng has been practising as a Certified Public Accountant and a Certified Tax Adviser in Hong Kong since February 2005 and June 2010, respectively. He was admitted as an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) and the Association of Chartered Certified Accountants in January 1996, a fellow member of the Association of Chartered Certified Accountants in January 2001, and an associate member of the Taxation Institute of Hong Kong in May 2010.

Mr. WONG Yip Kong (黃業光先生), aged 66, is our independent non-executive Director. Mr. Wong obtained a Master of Business Administration from the Lincoln University, US in October 2006. He is currently the managing director of John Kaiser-Time Limited which is principally carrying out the business of manufacture and exportation of watches.

Mr. Wong had been a director of Tung Wah Group of Hospitals and was elected as a member of the Tung Wah Group of Hospitals Advisory Board. Also, he has been the chairman of the Federation of Hong Kong Watch Trades and Industries Limited. Mr. Wong is currently a member of the Watches & Clocks Advisory Committee of Hong Kong Trade Development Council, the co-chairman of Hong Kong Watch & Clock Fair Organising Committee of Hong Kong Trade Development Council and a member of QTS Sub-Committee of Hong Kong Tourism Board. He is also a fellow of various academic organisations, including Canadian Chartered Institute of Business Administration, Asian Knowledge Management Association and The Professional Validation Council of Hong Kong Industries.

SENIOR MANAGEMENT

Mr. CHEUNG Ka Ngai (張家毅先生), aged 54, is the project director of our Group and a director of Simon & Sons. He has over 29 years of experience in construction project design and implementation in Hong Kong. Mr. Cheung joined our Group in December 1999 as an engineering manager of Simon & Sons and was later appointed as a director in February 2000. He is responsible for overseeing project design and implementation of our Group. Prior to joining our Group, from June 1989 to April 1992, Mr. Cheung worked as a design engineer at Intrusion- Prepakt (F.E.) Limited, where he was responsible for preparation of foundation drawings. From April 1992 to April 1993, he served as a project engineer at Chee Shing Foundations Limited, a company principally engaged in piling services. From May 1993 to January 1995, he worked at IP Foundations Limited, as a design engineer responsible for the preparation of foundation drawings. He also worked as a project manager at W. Ho Civil Engineering & Construction Company Limited, a company principally engaged in civil engineering works, from January 1995 to June 1999 and was responsible for project supervision and management.

Mr. Cheung obtained a Bachelor of Engineering (Honours) in Civil Engineering from The Hong Kong Polytechnic University in December 1999. He has been an associate member of The Hong Kong Institution of Engineers since August 1999. He has also been a Building Environmental Assessment Method (BEAM) Affiliate of Hong Kong Green Building Council Limited since July 2014.

Mr. CHEN Tai Ping（陳大平先生）, aged 60, is the contracts director of our Group and a director of Simon & Sons. He has over 33 years of experience in project management for different construction projects in Hong Kong. Mr. Chen first worked as the chief estimator at Simon & Sons between November 1986 and October 1995. He was further appointed as a director and contracts manager of Simon & Sons in February 2000 and November 1995, respectively and is responsible for overall contract management and project planning since then.

Mr. Chen obtained a higher certificate in Building Studies from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1987.

Mr. YUEN Kin Keung Larry（袁建強先生), aged 55, is the project manager of our Group. He has over 25 years of experience in project design and development of different construction projects in Hong Kong. Mr. Yuen joined our Group in September 2015 and is responsible for overseeing project design and development and the overall project performance of our Group. Prior to joining our Group, Mr. Yuen worked as an assistant design engineer between September 1988 to December 1992 and as a design engineer between January 1993 to June 1993, responsible for the foundation design in Gammon Construction Limited, a company principally engaged in construction business as a main contractor. From June 1993 to May 1997, he worked as a structural engineer at David S.K. Au & Associates Ltd, a company principally engaged in the provision of industrial building development consultancy service, where he was responsible for structural design and project administration. He also worked at Chun Wo Foundations Limited, a company principally engaged in foundation works, as a quality control engineer from November 2001 to April 2009 as a senior engineer from May 2009 to September 2015.

Mr. Yuen obtained a High Diploma in Structural Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. He has been a member of The Institution of Structural Engineers in the United Kingdom since November 1995, a member of The Hong Kong Institution of Engineers since April 1996, a Chartered Engineer in the United Kingdom since May 1996, a Registered Professional Engineer (Structural) in Hong Kong since February 1999 and a Registered Structural Engineer in Hong Kong since October 1999.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LUI Shun Wa Alexander（呂舜華先生）, aged 56, is the financial controller and the company secretary of our Group. He has over 14 years of accounting, taxation and corporate finance experience. Mr. Lui joined our Group in August 2015 and is responsible for overseeing the financial operations and internal control of our Group.

Prior to joining our Group, Mr. Lui's working experience includes:

Name of organization	Principal business activities	Position	Roles and responsibilities	Period of services
KPMG Peat Marwick	Auditing	Accountant	Undertaking various auditing assignment	July 1986 – October 1987
Inland Revenue Department of Hong Kong Government	Government department providing tax administration	Assistant Assessor	Undertaking tax assessment and ancillary taxation matters	February 1989 – February 1990
Wang On Construction Engineering Limited (currently known as Wang On Group Limited, a company listed on the Stock Exchange (Stock code: 1222))	Property development, property investment, management and sublicensing of Chinese wet markets and provision of finance	Finance Director	Overseeing financial operations of the group	March 1992 – July 1997
IFIA Pacific Holdings Limited (currently known as Beijing Enterprise Water Group Limited, a company listed on the Stock Exchange (Stock code: 371))	Construction of sewage and reclaimed works treatment and seawater desalination plants	Executive Director (CEO)	Responsible for strategic planning, policy making and business development of the group	September 1999 – April 2002

Mr. Lui obtained a Professional Diploma in Accountancy from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1986. Since February 1992, Mr. Lui has been an associate member of Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants). Mr. Lui is currently a nonpractising member of Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The Board has pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau.

GROUP REORGANISATION

Pursuant to a group reorganisation (the "**Reorganisation**") carried out by the Group in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange, and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 7 October 2016. Details of the Reorganisation are set out in the section headed "History and Development" to the Prospectus issued by the Company dated 31 October 2016.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement, Management Discussion and Analysis and Report of the Directors sections of this annual report. Also, the financial risk management objectives and policies of the Group can be found in Note 30 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 4 to 10 of this annual report. In addition, discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out below.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 44 of this report. No dividend has been paid or proposed by the Company during the year, nor has any dividend been proposed by the Directors since the end of the year.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 August 2019 to 28 August 2019, both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 28 August 2019. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 28 August 2019.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the Reporting Period (2018: Nil).

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group:

The amount of revenue derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

The aggregate amount of revenue derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including additions, reductions and/or other changes in the scope of the works) placed by customers from time to time during the course of project execution. As such, there is no assurance that revenue from projects on hand will not be substantially lower than the original contract sum as specified in the relevant contracts and hence, the Group's profitability will be adversely affected.

Keen competition

Due to certain delays in the progress of approving infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong in the past few years, there has been reducing projects available in the construction works market which has driven more intense competition within the construction industry. Furthermore, there have been shortage of construction labour and rise of construction costs in recent years. The combined impact of the above factors leads to the dilution in the profit margin of our construction works projects.

Errors or inaccurate estimations of project duration and costs when determining the tender price may result in substantial loss incurred

Construction contracts and in particular public projects are normally awarded through a competitive tendering process. The Group determines a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by the Group contain no mistakes and errors. Such mistakes and errors may be in the form of inaccurate estimations, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. In case of contracts awarded to the Group with mistakes or errors in the submitted tender, the Group may be bounded by the contract to undertake the project at a substantial loss.

Inaccurate estimations on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when executing the awarded project. Many factors affect the time taken and the costs involved in completing construction projects undertaken by the Group. Examples of such factors include shortage and cost escalation of labour and materials, difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers, stringent technical construction requirements, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents, and changes in the Government's policies. Other unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises and remains unresolved, completion of construction works may be delayed or the Group may be subject to cost overruns or our customers may even be entitled to unilaterally terminate the contract.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in Note 26(a) to the consolidated financial statements.

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Reporting Period amounted to HK$33,000 (2018: HK$184,200).

RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity and Note 26(b) to the consolidated financial statement, respectively.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors
Mr. Chan Lap Wai Gary *(Chairman)*
Mr. Chan Lap Chuen Edmond
Ms. Chan Chin Ying Amanda

Non-executive Director
Mr. Chan Sau Man Simon (resigned on 26 March 2019)

Independent Non-executive Directors
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung
Mr. Wong Yip Kong

In accordance with the article of association of the Company, Mr. Chan Lap Wai Gary, Mr. Chan Lap Chuen Edmond and Ms. Chan Chin Ying Amanda will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

Information regarding Directors' emoluments is set out in Note 11 to the consolidated financial statements of this report.

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY OF DIRECTORS

The Company's articles and association provides that the directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

DIRECTORS' INTERESTS IN CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTEREST

Apart from the contracts relating to the reorganisation of our Group in relation to the Listing and save as disclosed in this report, no contracts of significance were entered into between the Company or any of its subsidiaries and any controlling shareholders or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling shareholders or any of its subsidiaries.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group are set out in Note 11 to the consolidated financial statements in this report.

EMOLUMENT POLICY

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

COMPETING INTERESTS

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

DEED OF NON-COMPETITION

The deed of non-competition dated 24 October 2016 has been entered into by the controlling shareholders in favour of the Company. Pursuant to which the controlling shareholders have undertaken, jointly and severally, to the Company that they would not, and that their close associates and/or companies controlled by the controlling shareholders would not, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with the existing core business of our Group.

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

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") in the Listing Rules, notified to the Company and the Stock Exchange were as follows:

Interests in Share of the Company

Name of Director	Capacity/Nature	Number of Shares held/interest	Percentage of interest
Chan Lap Wai Gary *(Notes 2 and 3)*	Interest of controlled corporation	495,000,000 (L) *(Note 1)*	72.29%

Notes:

1. The letter "L" demonstrates long position in such securities.

2. Mr. Chan Lap Wai Gary beneficially owns 45% of the issued shares of Creative Elite Global Limited which in turn held 495,000,000 Shares. Therefore, Mr. Gary Chan is deemed to be interested in 495,000,000 Shares held by Creative Elite Global Limited for the purpose of the SFO.

3. On 1 December 2016, the Over-allotment Option was exercised by the bookrunner, C.P. Securities International Limited, whereby an aggregate of 24,750,000 Shares were issued on 2 December 2016. Thus, the percentage of shareholding of Creative Elite Global Limited in the Company was changed from 75% (before the exercise of the Over-allotment Option) to 72.29%.

Interests in associated corporations

Name of Director	Name of associated corporation	Number of Shares held/interest	Percentage of interest
Chan Lap Wai Gary	Creative Elite Global Limited	45	45%
Chan Lap Chuen Edmond	Creative Elite Global Limited	28	28%
Chan Chin Ying Amanda	Creative Elite Global Limited	18	18%

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature	Number of Shares held/interest	Percentage of interest
Creative Elite Global Limited *(Note 2)*	Beneficial owner	495,000,000 (L) *(Note 1)*	72.29%
Vane Siu Ling Linda *(Note 3)*	Family interest	495,000,000 (L) *(Note 1)*	72.29%

Notes:

1. The letter "L" demonstrates long position in such securities.

2. On 1 December 2016, the Over-allotment Option was exercised by the bookrunner, C.P. Securities International Limited, whereby an aggregate of 24,750,000 shares were issued on 2 December 2016. Thus, the percentage of shareholding of Creative Elite Global Limited in the Company was changed from 75% (before the exercise of the Over-allotment Option) to 72.29%.

3. Ms. Linda Vane is the spouse of Mr. Chan Lap Wai Gary who beneficially owns 45% of the issued shares of Creative Elite Global Limited. Therefore, Ms. Linda Vane is deemed to be interested in 495,000,000 Shares held by Creative Elite Global Limited for the purpose of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance, to which the Company any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted at the end of 31 March 2019 or at any time during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 30.3% and 97.8% respectively of the Group's total purchases for the year. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 35.2% and 79.1% respectively of the Group's total revenue for the year.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

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

No purchase, sale or redemption of the Company's listed securities was made during the Reporting Period.

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

The shareholders of the Company have adopted a share option scheme (the "**Scheme**") on 24 October 2016.

A summary of the Scheme is set out as below:

(i) The Scheme became effective for a period of 10 years commencing from the date on which Scheme becomes unconditional.

(ii) Under the Scheme, a subscription price 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 our 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 our shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

(iii) An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made.

(iv) The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of our Company (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 our Company) must not in aggregate exceed 10% of all our shares in issue as at the listing date.

No options have been granted since the adoption of the Scheme.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" from pages 27 to 37 of this report.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules during the Reporting Period.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules. Details of significant related party transactions undertaken in the usual course of business are set out in Note 32 to the consolidated financial statement. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

AUDITOR

The consolidated financial statements for the Reporting Period have been audited by Elite Partners CPA Limited ("**Elite Partners**"). Elite Partners shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditors of the Company will be proposed at the forthcoming AGM. There is no change in auditors during the Reporting Period.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it engages. The Group strives to minimise its impact on the environment by reducing its use of electricity and water and encouraging recycle of office supplies and other materials. The Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

On behalf of the Board
Sheung Yue Group Holdings Limited

Chan Lap Wai Gary
Chairman

27 June 2019

CORPORATE GOVERNANCE REPORT

Compliance with the corporate governance code

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial to the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of the shareholders of the Company.

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Reporting Period.

Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the requirements of the Model Code during the Reporting Period.

BOARD OF DIRECTORS

Composition of the Board

Up to the date of this annual report, the Board consists of six Directors, which comprises three executive Directors and three independent non-executive Directors. The composition of the Board during the period and up to the date of this annual report was as follows:

Executive Directors:
Mr. Chan Lap Wai Gary *(Chairman)*
Mr. Chan Lap Chuen Edmond *(Chief Executive Officer)*
Ms. Chan Chin Ying Amanda

Non-executive Director:
Mr. Chan Sau Man Simon (resigned on 26 March 2019)

Independent Non-executive Directors:
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung
Mr. Wong Yip Kong

The biographies of the Directors are set out in "Profiles of Directors and Senior Management" on pages 11 to 16 of this annual report.

The directors have given sufficient time and attention to the Group's affairs. The directors have disclosed to the Company annually the number and the nature of offices held in public companies or organisations and other significant commitments. The board believes that the balance between executive directors and independent non-executive directors is reasonable and adequate to provide sufficient balances that protect the interests of the shareholders and the Group.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the overall management of the Group, which includes controlling resources allocation of the Company and leading the Company to strive for success. It oversees the Group's businesses, strategic decisions, internal control, risk management and performances. The management team is delegated with the authority and responsibility by the Board for the daily management of the Group. The delegated functions and work tasks are periodically reviewed. Major corporate matters that are specifically delegated by the Board to the management include (1) the preparation of interim and annual reports and announcements for the Board's approval before publishing; (2) implementation of adequate systems of internal controls and risk management procedures; and (3) compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgment. Directors with various professional qualifications experience and related financial management expertise have contributed to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders. Hence, the Board believes that the current Board composition satisfy with the corporate governance requirements of the Group with regard to the balance of expertise, skills and experience as well as the ongoing development and management of its business activities.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's interim and annual results. During the Reporting Period, four Board meetings were held and the attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. All Directors are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Pursuant to articles of association of the Company, all Directors appointed to fill a causal vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Save for the family relationships disclosed in the Profiles of Directors and Senior Management set out on pages 11 to 16 of this annual report, the Directors do not have any material financial, business or other relationships with one another.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by the shareholders at the first general meeting after their appointment. By virtue of article 83 of the articles of association of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. 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.

In compliance with the code provision in A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 84(1) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

By virtue of article 84 of the articles of association of the Company, Mr. Chan Lap Wai Gary, Mr. Chan Lap Chuen Edmond and Ms. Chan Chin Ying Amanda will retire at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is Mr. Chan Lap Wai Gary and the chief executive officer (the "**CEO**") is Mr. Chan Lap Chuen Edmond. The roles of the Chairman and the CEO of the Group are clearly defined and segregated to ensure independence and proper checks and balances. The Chairman focuses on formulating business strategies and direction of the Company and has executive responsibilities, provides leadership for the Board and ensures proper and effective functioning of the Board in discharging of its responsibilities. The CEO is accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of overall business operations.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board consists of three executive Directors and three independent non-executive Directors, including one independent non-executive Director who has professional qualification, experience and expertise in accounting, finance or legal field. The names and biographical details of each Director are set out in "Profiles of Directors and Senior Management" on pages 11 to 16 of this annual report. The Company has received confirmation of independence from all three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules.

The Board has reviewed the independence of all independent non-executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the independent non-executive Directors has been impaired up to the date of this report.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment of a new Director, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. In October 2018, the Company organised training on duties and responsibilities of directors and seminar on updated laws and regulations for Directors. The Company has also provided reading materials to all Directors to develop and refresh their professional knowledge.

AUDIT COMMITTEE

An Audit Committee has been established by the Board with specific written terms of reference. Pursuant to the Audit Committee's terms of reference, the Audit Committee is authorised to commit Company funds in order to obtain advice from outside legal counsel, accountants, investigatory services or other expert advice. Details of the authority and responsibilities of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Cheng Chi Hung, Mr. Li Hon Hung, *BBS, MH, JP* and Mr. Wong Yip Kong. Mr. Cheng Chi Hung is the chairman of the Audit Committee.

During the Reporting Period, three Audit Committee Meetings were held. The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this report.

During the meetings, the Audit Committee reviewed and considered the Group accounts for the year ended 31 March 2018; the internal control report and the Group's unaudited consolidated accounts for the six months ended 30 September 2018. The external auditor was invited to attend 2018 annual result meeting and 2019 audit planning meeting. During the meetings, the external auditor discussed various accounting issues and finding with Audit Committee and the audit strategy and plan for 2019 Group results.

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Board with specific written terms of reference and the majority of the members of the Remuneration Committee are Independent Non-executive Directors. Details of the authority and responsibilities of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Wong Yip Kong, Mr. Li Hon Hung, *BBS, MH, JP* and Mr. Cheng Chi Hung. Mr. Wong Yip Kong is the chairman of the Remuneration Committee.

During the Reporting Period, two Remuneration Committee meetings were held to review and discuss the remuneration policy of the Company, renew the appointment letters of independent non-executive directors. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this report.

Details of the amount of Directors' emoluments for the year ended 31 March 2019 are set out in Note 11 to the financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the remuneration committee and be determined at the discretion of the Board. The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group. The Group has adopted incentive bonus schemes and continues to maintain these schemes, seeking to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high caliber.

NOMINATION COMMITTEE

A Nomination Committee has been established by the Board with specific terms of reference. The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re- appointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and responsibilities of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Li Hon Hung, *BBS, MH, JP*, Mr. Cheng Chi Hung and Mr. Wong Yip Kong, Mr. Li Hon Hung, *BBS, MH, JP* is the chairman of the Nomination Committee.

During the Reporting Period, two Nomination Committee meetings were held to review the structure, size, composition and diversity of the Board, assessing the independence of independent non-executive directors and other related matters of the Company.

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Nomination Committee and Remuneration Committee during the Reporting Period are set out below:

	Attendance/Number of Meetings Held			
Name of Director	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Chan Lap Wai Gary	4/4	–	–	–
Mr. Chan Lap Chuen Edmond	4/4	–	–	–
Ms. Chan Chin Ying Amanda	4/4	–	–	–
Non-executive Director				
Mr. Chan Sau Man Simon (resigned on 26 March 2019)	4/4	–	–	–
Independent Non-executive Directors				
Mr. Li Hon Hung, *BBS, MH, JP*	4/4	3/3	2/2	2/2
Mr. Cheng Chi Hung	4/4	3/3	2/2	2/2
Mr. Wong Yip Kong	4/4	3/3	2/2	2/2

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board, which include (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) review and monitor the training and continuous professional development of directors and senior management of the Company and its subsidiaries; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company and its subsidiaries; (e) review the Company's compliance with the CG Code and disclosures in the corporate governance report of the Company required to be prepared pursuant to the Listing Rules; and (f) consider, review and decide any other topics, as authorised by the Board.

On 27 June 2019, the Board reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of its corporate governance policy.

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 March 2019 which gives a true and fair view of the state of affairs of the Group as at 31 March 2019, and of the results and cash flows for year then ended.

In preparing the financial statements for the year ended 31 March 2019, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

The Group endeavours to present a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. The interim and annual results of the Company are announced in a timely manner within the limit of two months and three months, respectively, after the end of the relevant periods in accordance with the Listing Rules.

The Directors have acknowledged their responsibility for preparing all information and representation contained in the financial statements of the Company for the year ended 31 March 2019.

AUDITOR

The external auditor of the Company is Elite Partners CPA Limited. The Audit Committee is responsible for making recommendations to the Board on the external auditor's appointment, re-appointment and removal, which are subject to approval by the Board and at the general meetings of the Company by its shareholders. In assessing the external auditor, the Audit Committee will take into account relevant experience, performance, objectivity and independence of the external auditor.

AUDITOR'S REMUNERATION

The remuneration paid/payable to Elite Partners for the year ended 31 March 2019 is set out as follows:

Services rendered	**Fee paid/ payable** HK$'000
Audit services	458
Total	458

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the design and implementation of internal controls which covers financial reporting, operations, compliance and risk management of the Company, as well as continuous monitoring the effectiveness of such internal controls. The Board has delegated such responsibility to the management of the Company. The management, under the supervision of the Board, has established an on-going process for identifying, evaluating and managing significant risks faced by the Group. The Board will review and assess the risk management and internal control systems at least once a year.

The Company has established a risk management policy set out the process of identification, evaluation and management of the principal risks affecting the business. The Company has also established a whistle-blowing policy and system for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control and other matters.

The Audit Committee reviews the internal control and risk management that are significant to the Group on an on-going basis. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, as well as their training programmes and budgets.

The Board is satisfied that the internal control and risk management systems in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of issuance of the annual report is reasonably effective and adequate.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

COMPANY SECRETARY

Mr. Lui Shun Wa Alexander was appointed as the company secretary of the Company with effect from 6 June 2016. All Directors have access to the advice and services of the company secretary. During the year ended 31 March 2019, Mr. Lui Shun Wa Alexander has taken no less than 15 hours of relevant professional trainings respectively to update his skills and knowledge.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear and detailed information of the Group to its shareholders in a timely manner and on a regular basis, through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The general meetings of the Company provide a forum for communication between the Board and the Company's shareholders.

The Chairman of the Board and other members of the respective committees are available to answer questions of the shareholders at the general meeting. The Company recognises the importance of maintaining on-going communications with the shareholders and encourages them to attend general meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The Company maintain a website at www.simonandsons.com.hk where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by the public investors.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and to put forward proposal at general meetings

Pursuant to Article 58 of the articles of association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 85 of the articles of association of the Company provides that no person other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51B(1) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Shareholders' enquires and Proposals

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or call its customer service hotline at (852) 2980 1888.

Shareholders may also make enquiries to the Board at the annual general meetings of the Company.

INVESTOR RELATIONS

The public are welcomed to give their comments and make enquiries through the Company's website and by means of emails to the investor relations department (email address: mail@simonandsons.com.hk). The management always provides prompt responses to any such enquiries.

CONSTITUTIONAL DOCUMENTS

The Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. Since the date of Listing and up to 31 March 2019, no amendments were made to the constitutional documents of the Company.

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF SHEUNG YUE GROUP HOLDINGS LIMITED
(上諭集團控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sheung Yue Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 119, 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

(a) Accounting for construction contracts

As described in the Significant Accounting Policies in Note 4(f) to the consolidated financial statements, the Group recognises revenue and costs associated with its construction contracts based on the stage of completion of contract activity at the end of the reporting period, when the outcome of construction contracts can be estimated reliably. The stage of completion of contracts is established by reference to surveys of contract work performed. When it is probable that total contract costs will exceed total contract revenue for a contract, the expected loss is recognised as an expense immediately.

As presented in the consolidated statement of profit or loss and other comprehensive income, the Group's construction contract revenue and costs for the year ended 31 March 2019 amounted to approximately HK$241,612,000 and HK$250,166,000, respectively. The Group's contract assets as at 31 March 2019, as detailed in Note 18 to the consolidated financial statements, amounted to approximately HK$81,232,000.

We identified the accounting for construction contracts as a key audit matter as it requires management to exercise significant judgement on the outcome and stage of completion of each construction contract and to estimate the profitability of each on-going construction contract during the reporting period, and the associated financial statement items are quantitatively significant to the consolidated financial statements as a whole.

Our response:

Our principal audit procedures in relation to accounting for construction contracts are as follows:

– Obtaining an understanding of and evaluating internal controls on recognition of contract revenue and costs;

– Discussing with project managers, internal quantity surveying team and the Group's management about the progress of the construction projects;

– Checking the basis used for estimating the budgeted revenue to underlying construction contracts entered into with the customers and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments;

– Evaluating the reasonableness of budgeted costs, including (i) for subcontracting costs contracted for, agreeing the budgeted costs to the underlying contracts; (ii) for estimation of costs not supported by contracts, checking that the costs are included in accordance with the construction contracts; and (iii) comparing the budgeted data with the actual data recorded, taking into account the stage of completion achieved;

KEY AUDIT MATTERS (continued)

(a) Accounting for construction contracts (Continued)

- Assessing the reasonableness of contract revenue recognised and stage of completion by reference to progress certificates issued by independent architects or quantity surveyors appointed by customers and other underlying documents;

- Checking on a sample basis the progress billings and the actual costs incurred on construction works to the underlying supporting documents during the reporting period; and

- Reviewing financial budget prepared by the Group's management for each on-going construction contract to assess whether expected loss on contract was properly recognised as an expense immediately.

(b) Allowance for credit loss of trade receivables and contract assets

The carrying value of the Group's trade receivables and contract assets as at 31 March 2019 are approximately HK$10,428,000 and approximately HK$81,232,000 after deduction of allowance for credit loss of approximately HK$2,182,000 and approximately HK$12,429,000, respectively.

Management estimates the allowance for credit loss at an amount equal to lifetime expected credit loss for trade receivables and contract assets with assessments of allowance for credit loss and estimated loss rates based on the ageing of overdue balances, repayment histories of individual debtors, existing customer-specific and market conditions and forward-looking information. Such assessment involves a significant degree of judgement.

We identified the allowance for credit loss of trade receivables and contract assets as a key audit matter because of the inherent uncertainty in assessing if trade receivables and contract assets will be recovered in full and because the assessment of allowance for credit loss requires the exercise of significant management judgement.

Our response:

- obtaining an understanding of and assessing the design and implementation of key internal controls relating to credit control, debt collection, estimate of allowance for credit loss and making related allowances;

- obtaining an understanding on the key data and assumptions of the allowance for credit loss model adopted by the Group, including the basis of the segmentation of the trade receivables and contract assets based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate;

KEY AUDIT MATTERS (continued)

(b) Allowance for credit loss of trade receivables and contract assets (continued)

- assessing the reasonableness of management's estimate of allowance for credit loss by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical credit loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and

- comparing cash receipts from customers and actual billing to customers subsequent to the financial year end relating to trade receivables and contract assets balances at 31 March 2019 with bank statements and relevant underlying documentation on a sample basis.

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

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of 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 are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company ("Audit Committee") assists the directors in discharging their responsibilities in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong
Leung Man Kin
Practising Certificate number P07174

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	7	241,612	220,240
Cost of services		(250,166)	(212,524)
Gross (loss)/profit		(8,554)	7,716
Other income	7	1,285	1,412
Other gains and losses	7	4,466	1,077
Share of loss of a joint venture		–	(36)
Administrative expenses		(50,102)	(40,456)
Operating loss	9	(52,905)	(30,287)
Finance costs	8	(96)	(333)
Loss before income tax		(53,001)	(30,620)
Income tax credit	12	7,680	4,904
Loss for the year		(45,321)	(25,716)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of investment in a life insurance policy		–	7
Exchange differences on translating a foreign operation		28	30
Other comprehensive income for the year, net of tax		28	37
Total comprehensive loss for the year		(45,293)	(25,679)
		HK cents	HK cents
Loss per share			
– Basic and diluted	14	(6.62)	(3.76)

The notes on pages 51 to 119 form part of these 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	15	43,418	45,808
Prepayments	20	–	383
Investment in a life insurance policy	16	2,567	2,488
		45,985	48,679
Current assets			
Inventories	17	10,655	6,963
Contract assets	18	81,232	–
Amounts due from customers for contract work	19	–	78,908
Trade and other receivables	20	28,641	49,467
Pledged bank deposits	21	19,671	18,126
Cash and cash equivalents	21	40,997	50,091
Tax recoverable		53	6,724
		181,249	210,279
Current liabilities			
Trade and other payables	22	53,530	23,683
Finance lease liabilities	23	561	1,754
Bank loan	24	4,928	–
Current tax liabilities		–	2,979
		59,019	28,416
Net current assets		122,230	181,863
Total assets less current liabilities		168,215	230,542

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Finance lease liabilities	23	–	561
Deferred tax liabilities	25	–	1,698
		–	2,259
NET ASSETS		168,215	228,283
Equity			
Share capital	26	6,848	6,848
Reserves	26	161,367	221,435
TOTAL EQUITY		168,215	228,283

The consolidated financial statements for the year ended 31 March 2019 were approved and authorised for issue by the Board of Directors of the Company on 27 June 2019.

Chan Lap Wai Gary
Director

Chan Lap Chuen Edmond
Director

The notes on pages 51 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium (Note 26(b)(i)) HK$'000	Merger reserve (Note 26(b)(ii)) HK$'000	Capital reserve (Note 26(b)(iv)) HK$'000	Available-for-sale financial asset reserve (Note 26(b)(v)) HK$'000	Foreign exchange reserve (Note 26(b)(vi)) HK$'000	Retained earnings (Note 26(b)(vii)) HK$'000	Total HK$'000
As at 31 March 2018	6,848	98,111	10,010	3,446	(402)	217	110,053	228,283
Impact on initial application of HKFRS 9	–	–	–	–	402	–	(15,177)	(14,775)
As at 1 April 2018, restated	6,848	98,111	10,010	3,446	–	217	94,876	213,508
Loss for the year	–	–	–	–	–	–	(45,321)	(45,321)
Other comprehensive income for the year:								
Exchange differences on translating a foreign operation	–	–	–	–	–	28	–	28
Total comprehensive loss for the year	–	–	–	–	–	28	(45,321)	(45,293)
As at 31 March 2019	6,848	98,111	10,010	3,446	–	245	49,555	168,215

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium (Note 26(b)(i)) HK$'000	Merger reserve (Note 26(b)(ii)) HK$'000	Capital reserve (Note 26(b)(iv)) HK$'000	Available-for-sale financial asset reserve (Note 26(b)(v)) HK$'000	Foreign exchange reserve (Note 26(b)(vi)) HK$'000	Retained earnings (Note 26(b)(vii)) HK$'000	Total HK$'000
As at 1 April 2017	6,848	98,111	10,010	3,446	(409)	187	135,769	253,962
Loss for the year	–	–	–	–	–	–	(25,716)	(25,716)
Other comprehensive income for the year:								
Changes in fair value of investment in a life insurance policy	–	–	–	–	7	–	–	7
Exchange differences on translating a foreign operation	–	–	–	–	–	30	–	30
Total comprehensive loss for the year	–	–	–	–	7	30	(25,716)	(25,679)
As at 31 March 2018	6,848	98,111	10,010	3,446	(402)	217	110,053	228,283

The notes on pages 51 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before income tax		(53,001)	(30,620)
Adjustments for:			
Depreciation of property, plant and equipment	15	10,759	12,745
Unrealised exchange gain		–	(28)
Finance costs	8	96	333
Imputed interest on retention receivables	7	–	(398)
Interest income from bank deposits	7	(83)	(44)
Interest income from investment in a life insurance policy	7	–	(101)
Gain on fair value changes in investment in a life insurance policy	7	(116)	–
Gain on disposal of property, plant and equipment	7	(4,350)	(1,049)
Share of loss of a joint venture		–	36
Charges on investment in a life insurance policy		–	35
Impairment loss on:			
Amounts due from customers for contract work	9	–	7,808
Contracts assets	9	24,076	–
Allowance/(Reversal of allowance) for credit loss on:			
Trade receivables	9	112	–
Contract assets	9	(276)	–
		(22,783)	(11,283)
Changes in inventories		(3,692)	1,400
Changes in trade and other receivables		(197)	24,521
Changes in amounts due from customers for contract work		–	47,109
Changes in contract assets		(19,605)	–
Changes in trade and other payables		29,847	(51,964)
Cash (used in)/generated from operations		(16,430)	9,783
Income tax refunded/(paid)		9,674	(16,861)
Net cash used in operating activities		(6,756)	(7,078)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(9,414)	(9,201)
Proceeds from disposal of property, plant and equipment		5,395	3,013
Increase in pledged bank deposits		(1,545)	(4,077)
Interest income from bank deposits		83	44
Net cash used in investing activities		(5,481)	(10,221)
Cash flows from financing activities			
Repayment to ultimate holding company		–	(216)
Proceeds from bank loan		4,928	–
Repayment of finance lease liabilities		(1,754)	(2,801)
Interest paid		(96)	(180)
Net cash generated from/(used in) financing activities		3,078	(3,197)
Net decrease in cash and cash equivalents		(9,159)	(20,496)
Cash and cash equivalents at beginning of year		50,091	70,592
Effect of exchange rate changes on cash and cash equivalents		65	(5)
Cash and cash equivalents at end of year	21	40,997	50,091

The notes on pages 51 to 119 form part of these financial statements.

1. GENERAL

The Company was incorporated in the Cayman Islands on 23 March 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Units 103-105, 1st Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

The Company, an investment holding company, and its subsidiaries (together referred to as the "Group") are principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau.

In the opinion of the directors, the Company's immediate and ultimate parent is Creative Elite Global Limited, a company incorporated in the British Virgin Islands (the "BVI").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2018

The Group has adopted the following new standards, amendments and interpretation to existing standards, which are relevant to the Group's accounting policies for the first time presented on the Group's consolidated financial statements for the financial year beginning on or after 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The impact of the adoption of HKFRS 9 "Financial instruments" (see (A) below) and HKFRS 15 "Revenue from Contracts with Customers" (see note (B) below) have been summarised below. The other new or revised HKFRSs that are effective from 1 April 2018 had no material impact on the Group's accounting policies and amounts presented on the Group's consolidated financial statements for the current and prior years and/or disclosures set out in these consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(A) *HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell nonfinancial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. Cumulative effect of initial application of HKFRS 9 has been recognised as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39 and thus may not be comparable with the current period.

The adoption of HKFRS 9 has impacted the following:

For available-for-sale financial asset under HKAS 39 has been reclassified as financial asset at fair value through profit or loss under HKFRS 9. Fair value changes previously accounted for in other comprehensive income has transferred to the opening balance of retained earnings as at 1 April 2018.

In summary, the following reclassification was made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 April 2018):

	Carrying amount as at 31 March 2018 under HKAS 39 HK$'000	Reclassification HK$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK$'000
Non-current assets			
Investment in a life insurance policy			
Available-for-sale financial asset	2,488	(2,488)	–
Financial asset at fair value through profit or loss	–	2,488	2,488

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(A) HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

The following table is a reconciliation that shows how the closing loss allowance as at 31 March 2018 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 April 2018 determined in accordance with HKFRS 9.

	HK$'000
Loss allowance recognised as at 31 March 2018 under HKAS 39	–
Additional allowance for credit loss as a result of the application of the "expected loss model" under HKFRS 9	
– Trade receivables	(2,070)
– Contract assets	(12,705)
Allowance for credit loss recognised as at 1 April 2018 under HKFRS 9	(14,775)

The following table summarises the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings:

	Impact of adopting HKFRS 9 on opening balance of retained earnings HK$'000
Retained earnings	
Reclassification from available-for-sale financial asset to financial asset at fair value through profit or loss	(402)
Recognition of additional allowance for credit loss relating to:	
– Trade receivables	(2,070)
– Contract assets	(12,705)
	(14,775)
Impact at 1 April 2018	(15,177)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(A) HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(i) Classification and measurement

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

At the date of initial application of HKFRS 9, the Group has reassessed the classifications of all of its financial assets based on the business model of which a financial asset is held.

The Group previously classified its investment in a life insurance policy as available-for-sale investments under HKAS 39. With the adoption of HKFRS 9, the investment in a life insurance policy is re-classified as financial assets measured at FVTPL as the investment is held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest.

Once designation as investment in a life insurance policy at FVTPL has taken place, all fair value gains or losses previously recognised in other comprehensive income will be transferred to retained earnings.

The Group classified all its remaining financial assets, including trade and other receivables, contract assets and bank balance and cash as loans and receivables under HKAS 39. With the adoption of HKFRS 9, they are re-classified as financial assets measured at amortised cost.

The classifications for all financial liabilities of the Group remain the same, i.e. measured at amortised cost, with the adoption of HKFRS 9.

The carrying amounts for all financial assets and financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(A) HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the incurred loss accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including bank balance and cash, contract assets and trade and other receivables). Financial assets measured at fair value, including investment in a life insurance policy, are not subject to the ECL assessment.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive). The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– contract assets, trade and other receivables and fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECL, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(A) HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Measurement of ECL (Continued)

ECL is measured on either of the following bases:

– 12-month ECL: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECL: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECL unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(A) HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Significant increases in credit risk (Continued)

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

– failure to make payments of principal or interest on their contractually due dates;

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

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECL is remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(A) HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(A) HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Impact of ECL model

(1) Impact on trade receivables and contract assets

The Group has elected to measure allowances for credit loss of trade receivables using simplified approach HKFRS 9 and calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on reasonable and supportable information that is available without undue cost or effort at the reporting date, including historical credit loss experience, shared credit risk characteristics and the number of days past due, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract assets comprises of retention receivables and unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same type of contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The impact of the adoption of the ECL model under HKFRS 9 has been disclosed above.

(2) Impact on the remaining financial assets at amortised cost

The remaining financial assets at amortised cost of the Group include other receivables, pledged bank deposits and cash and cash equivalents. No changes have been made to allowance for credit loss upon the transition to HKFRS 9 as of 1 April 2018 and no further increase of allowance for credit loss during the year ended 31 March 2019 for such balances are recorded as there are no significant change in credit risk and therefore the amount of additional impairment measured under the ECL model is immaterial.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

(B) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 April 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018.

In summary, the following reclassification was made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 April 2018):

	Carrying amount as at 31 March 2018 under HKAS 18	Reclassification	Carrying amount as at 1 April 2018 under HKFRS 15
	HK$'000	HK$'000	HK$'000
Current assets			
Amounts due from customers for contract work	78,908	(78,908)	–
Trade and other receivables	49,467	(19,224)	30,243
Contract assets	–	98,132	98,132

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

The adoption of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The Group has not applied any of the following new and revised HKFRSs that are relevant to the Group that have been issued but are not yet mandatorily effective.

HKFRS 16	Leases[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015-2017 Cycles[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[1]

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

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presents as operating cash flows. Under 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

(A) HKFRS 16 "Leases" (Continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangements and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, 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.

As at 31 March 2019, the Group as lessee has non-cancellable operating lease commitments of approximately HK$4,490,000. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above.

(B) Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

(C) Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

The amendments require an entity to apply HKFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, from part of the entity's net investment in an associate or joint venture. An entity applies HKFRS 9 to such long-term interests before it applies paragraph 38 and paragraphs 40-43 HKFRS 28.

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

(D) HK (IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

The Directors of the Company do not anticipate that the application of this Interpretation will have a material impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under 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.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Other than business combination under common control for which merger accounting method is used, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial year in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Land and building	over the lease term
Plant and machinery	12.5% – 20%
Furniture and equipment	20%
Motor vehicles	20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(e) Financial instruments

(Policies applied from 1 April 2018)

(i) Financial assets

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(Policies applied from 1 April 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(Policies applied from 1 April 2018) (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables, other receivables and contracts assets. The ECL are measured on either of the following bases: (1) 12-month ECL: these are the ECL that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL are based on the 12-month ECL. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(Policies applied from 1 April 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(Policies applied from 1 April 2018) (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of comprehensive income. The net fair value gain or loss recognised in the consolidated statement of comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables, bank loans and finance lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(Policies applied prior to 1 April 2018)

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

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the year in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(Policies applied prior to 1 April 2018) (Continued)

(i) Financial assets (Continued)

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(Policies applied prior to 1 April 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities including trade and other payables, borrowings and finance lease liabilities are classified as financial liabilities at amortised cost. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(Policies applied prior to 1 April 2018) (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instrument

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(f) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it probable that they will result in revenue, and they are capable of being reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise site labour costs (including site supervision); costs of subcontracting; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Construction contracts (Continued)

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 of the reporting period.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

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

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

Revenue from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of each of the reporting period (Note 4(f)). Revenue for construction contracts was recognised on a similar basis in the comparative period under HKAS 11.

Income from the sale of scrap materials is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Rental income from operating lease of machinery is recognised in profit or loss on a straight-line basis over the periods covered by the lease term.

Interest income from bank deposits is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Distributions from financial assets are recognised when the Group's right to receive payment has been established.

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each of the period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional Currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee benefits

(i) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(l) Contract assets and amounts due from customers for contract work

(Policy applicable applied from 1 April 2018)

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL and are reclassified to receivables when the right to the consideration has become unconditional.

(Policy applied prior to 1 April 2018)

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. These net balances were presented as the "Amount due from customers for contract work" (as an asset) or the "Amount due to customers for contract work" (as a liability) on a contract-by-contract basis. Progress billings not yet paid by the customer were included under "Trade and other receivable".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses

(n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries (recognised in the statement of financial position of the Company (see note 27)) and;
- interest in a joint venture

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's Parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity).

(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 Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Estimates and assumptions

The key assumptions concerning the future 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, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Construction contract revenue recognition

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairment of trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually. The provision of ECL is sensitive to changes in circumstances and forecast general economic conditions.

In the comparative period, the Group evaluated whether there was any objective evidence that trade receivables were impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group based on the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Estimates and assumptions (Continued)

(iii) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable profit against which the deferred tax assets can be utilised, which involves a number of assumptions and estimates relating to the operating environment of the Group and requires a significant level of judgement exercised by management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the profit in future periods.

(iv) Fair value measurement

Investment in life insurance policy included in the consolidated financial statements requires measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures investment in life insurance policy (Note 16) at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

All of the Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2019 HK$'000	2018 HK$'000
Customer A	*	33,912
Customer B	–	26,037
Customer C	–	30,211
Customer D	40,680	–
Customer E	85,101	–
Customer F	34,458	–

* Less than 10% of the Group's revenue

7. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

The Group's revenue represents amount received and receivable from contract work performed and recognised in accordance with accounting policy set out in Note 4(h) above during the year.

As at 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$325,672,000. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 24 months.

An analysis of the Group's other income and other gains and losses recognised during the year are as follows:

	2019 HK$'000	2018 HK$'000
Other income		
Interest income on		
– Bank deposits	83	44
– Investment in a life insurance policy	–	101
Total interest income from financial assets that are not at fair value through profit or loss	83	145
Machinery rental income	346	657
Income from sale of scrap materials	–	13
Imputed interest on retention receivables	–	398
Sundry income	856	199
	1,285	1,412
Other gains and losses		
Foreign exchange gain, net	–	28
Gain on disposal of property, plant, and equipment	4,350	1,049
Gain on fair value changes in investment in a life insurance policy	116	–
	4,466	1,077

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on finance lease liabilities	62	170
Interest on bank overdrafts	15	10
Interest on bank loan	19	–
Imputed interest expense on retention payables	–	153
	96	333

9. OPERATING LOSS

The Group's operating loss is arrived at after charging:

	2019 HK$'000	2018 HK$'000
Auditors' remuneration	458	719
Depreciation	10,759	12,745
Operating lease rentals in respect of:		
– Land and buildings	2,891	2,444
– Plant and equipment	3,165	1,515
Employee benefit expenses (Note 10)	41,865	49,362
Impairment loss on:		
Amounts due from customers for contract work	–	7,808
Contract assets	24,076	–
Allowance/(Reverse of allowance) for credit loss on:		
Trade receivables	112	–
Contract assets	(276)	–

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2019 HK$'000	2018 HK$'000
Directors' fee	660	709
Salaries and wages	40,025	47,051
Other staff benefits	24	205
Post-employment benefits – contribution to defined contribution retirement plan	1,156	1,397
	41,865	49,362

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(i) Details of the directors' remuneration paid or payable for the years ended 31 March 2019 and 2018 are as follows:

	Fees HK$'000	Salaries and benefits HK$'000	Contribution to defined contribution retirement plan HK$'000	Total HK$'000
Year ended 31 March 2019				
Executive directors:				
– Mr. Chan Lap Wai Gary	–	2,067	18	2,085
– Mr. Chan Lap Chuen Edmond	–	1,875	18	1,893
– Ms. Chan Chin Ying Admanda	–	1,238	18	1,256
Non-executive director:				
– Mr. Chan Sau Man Simon*	–	858	–	858
Independent non-executive directors:				
– Mr. Li Hon Hung	240	–	–	240
– Mr. Cheng Chi Hung	240	–	–	240
– Mr. Wong Yip Kong**	180	–	–	180
	660	6,038	54	6,752
Year ended 31 March 2018				
Executive directors:				
– Mr. Chan Lap Wai Gary	–	2,277	18	2,295
– Mr. Chan Lap Chuen Edmond	–	2,075	18	2,093
– Ms. Chan Chin Ying Admanda	–	1,199	18	1,217
Non-executive director:				
– Mr. Chan Sau Man Simon	–	858	–	858
Independent non-executive directors:				
– Mr. Li Hon Hung	240	–	–	240
– Mr. Siu Miu Man***	194	–	–	194
– Mr. Cheng Chi Hung	240	–	–	240
– Mr. Wong Yip Kong	35			35
	709	6,409	54	7,172

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(i) Details of the directors' remuneration paid or payable for the years ended 31 March 2019 and 2018 are as follows (Continued):

* Mr. Chan Sau Man Simon was resigned as the non-executive director of the Company on 26 March 2019.

** Mr. Wong Yip Kong was appointed as the independent non-executive directors of the Company on 22 January 2018.

*** Mr. Siu Miu Man was resigned as the independent non-executive director of the company on 22 January 2018.

During the year, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2018: Nil).

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 3 (2018: 3) directors for the year ended 31 March 2019, whose emoluments are reflected in the analysis as shown above. The emoluments of the remaining 2 (2018: 2) highest paid individuals are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, bonuses and other allowances	2,111	2,620
Post-employment benefits – Contribution to defined contribution retirement plan	32	36
	2,143	2,656

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(ii) Five highest paid individuals (Continued)

Their remuneration fell within the following bands:

	2019 Number of employees	2018 Number of employees
HK$1,000,001 to HK$1,500,000	2	2

During the year, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2018: Nil).

(iii) Senior management's emoluments excluding the directors

The emoluments paid or payable to members of senior management (excluding the directors) were within the following bands:

	2019 Number of employees	2018 Number of employees
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	3	4
	5	5

The emoluments of 2 (2018: 2) members of senior management are included in five highest paid individuals for the year ended 31 March 2019 as set out in Note 11 (ii) above.

12. INCOME TAX CREDIT

The amount of income tax credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 HK$'000	2018 HK$'000
Current tax		
– charge for the year	(51)	(179)
– over provision in respect of prior years	6,033	266
Deferred tax credit (Note 25)	1,698	4,817
Income tax credit	7,680	4,904

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

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

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

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

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

12. INCOME TAX CREDIT (Continued)

The income tax credit for the year applicable to loss before income tax expense at the statutory rate for Hong Kong, the jurisdiction in which majority of the Group's operations are domiciled, can be reconciled to the income tax expense at the effective tax rate per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Loss before income tax expense	(53,001)	(30,620)
Tax calculated at the applicable statutory tax rate for Hong Kong of 16.5%	8,745	5,052
Tax effect of share of loss of a joint venture	–	(6)
Tax effect of income not subject to tax	751	32
Tax effect of utilisation of tax losses recognised in prior years	(4,742)	–
Tax effect of tax loss not recognised	(1,847)	–
Tax effect of expense not deductible for tax purpose	(27)	(470)
Tax effect of temporary difference recognised	(1,253)	–
Tax reduction enacted by the local authority	20	30
Over provision in respect of prior years	6,033	266
Income tax credit at the effective tax rate	7,680	4,904

13. DIVIDENDS

No dividend was paid or proposed for both years nor has any dividend been proposed since the end of the reporting period.

14. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Loss		
Loss for the year attributable to owners of the Company	(45,321)	(25,716)

	2019 Number of shares '000	2018 Number of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (Note)	684,750	684,750

Note:

Weighted average number of ordinary shares for the year ended 31 March 2019 and 2018 are based on the number of ordinary shares in issue throughout the year.

Diluted loss per share is same as basic loss per share as there was no potential dilutive ordinary shares for the years ended 31 March 2019 and 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 1 April 2017	4,220	151,239	1,444	12,956	169,859
Additions	–	10,700	17	1,683	12,400
Disposals	–	(36,399)	(3)	(900)	(37,302)
At 31 March 2018	4,220	125,540	1,458	13,739	144,957
Additions	–	9,360	54	–	9,414
Disposals	–	(67,541)	–	–	(67,541)
At 31 March 2019	4,220	67,359	1,512	13,739	86,830
Accumulated depreciation					
At 1 April 2017	1,785	110,717	1,125	8,115	121,742
Provided for the year	81	11,185	100	1,379	12,745
Eliminated on disposals	–	(35,185)	(3)	(150)	(35,338)
At 31 March 2018	1,866	86,717	1,222	9,344	99,149
Provided for the year	81	9,213	92	1,373	10,759
Eliminated on disposals	–	(66,496)	–	–	(66,496)
At 31 March 2019	1,947	29,434	1,314	10,717	43,412
Net book value					
At 31 March 2019	2,273	37,925	198	3,022	43,418
At 31 March 2018	2,354	38,823	236	4,395	45,808

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 23).

	2019 HK$'000	2018 HK$'000
Plant and machinery	2,807	6,261

16. INVESTMENT IN A LIFE INSURANCE POLICY

During the year ended 31 March 2015, the Group entered into a life insurance policy with an insurance company to insure against the death of a director, Mr. Chan Lap Wai Gary (the "Insured"), with an aggregate insured sum of US$1,000,000 (equivalent to approximately HK$7,525,000). Under the policy, the beneficiary and policyholder is S&S Engineering. The Group paid a single premium payment of US$355,797 (equivalent to approximately HK$2,763,000). An annual minimum guaranteed return is 4.2% and 2% for the first year and from the second year to the end of the policy, respectively. As at 31 March 2019, if the Group withdrew from the insurance contract, the account value, net of a surrender charge, would be refunded to the Group. The surrender charge as at 31 March 2019 is US$49,734 (approximately HK$390,361) (2018: US$51,186 (approximately HK$401,723)). The amount of the surrender charge decreases over time and will no longer be required from the 19th year of contract conclusion onwards.

The directors consider that the carrying amount of the investment in a life insurance policy approximates to its fair value. The fair value of the investment in a life insurance policy is provided by the insurance company which is determined with reference to the account value, net of a surrender charge.

As at 31 March 2019 and 2018, the Group's investment in a life insurance policy is grouped into Level 3 category of fair value hierarchy. Details of the fair value measurement are disclosed in Note 31.

17. INVENTORIES

	2019 HK$'000	2018 HK$'000
Construction materials	10,655	6,963

18. CONTRACT ASSETS

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional other than passage of time.

	31 March 2019 HK$'000	1 April 2018 HK$'000 *(note a)*	31 March 2018 HK$'000
Arising from performance under construction contracts	93,661	98,132	–
Less: allowance for credit loss	(12,429)	(12,705)	–
	81,232	85,427	–

Notes: (a) The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 April 2018. Upon the adoption of HKFRS 15, amounts due from customers for contract work of approximately HK$78,908,000 and retention receivable of approximately HK$19,224,000 were reclassified to contract assets. Upon the adoption of HKFRS 9, opening adjustments were made at 1 April 2018 to recognise additional allowance of credit loss of approximately HK$12,705,000 on contract asset.

Included in carrying amount of contract assets comprises retention receivables of approximately HK$32,842,000 as at 31 March 2019.

Retention receivables is unsecured and interest-free and represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Upon satisfactory completion of contract work as set out in the contract, the architect for the building project will issue a practical completion certificate.

As at 31 March 2019, the Group recognised impairment loss of approximately HK$24,076,000 on contract assets in which the directors of the Company consider that it is not recovered.

19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2019 HK$'000	2018 HK$'000
Contracts in progress at the end of reporting periods:		
Contract costs incurred	–	472,413
Recognised profits less recognised losses	–	47,367
	–	519,780
Less: progress billings	–	(440,872)
	–	78,908
Represented by:		
Amounts due from customers for contract work	–	78,908

As at 31 March 2018, retentions held by customers for contract work included in trade and other receivables (Note 20) amounted is approximately HK$19,224,000.

As at 31 March 2018, the Group has impairment loss of approximately HK$7,808,000 on amounts due from customers for contract work in which the directors consider that it is not recovered.

Upon the adoption of HKFRS 15, as at 1 April 2018, amounts due from customers for contract work are included in contract assets and disclosed in Note 18.

20. PREPAYMENTS AND TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables (note (a))	12,610	17,058
Less: allowance for credit loss	(2,182)	–
	10,428	17,058
Retention receivables (note (b) and Note 18)	–	19,224
Other receivables	13,389	2,438
Prepayments and deposits	4,824	11,130
	28,641	49,850
Less: Non-current portion		
Prepayments	–	(383)
Total current portion	28,641	49,467

Note:

(a) Trade receivables were mainly derived from provision of foundation works, including piling construction, ELS works, pile cap construction, site formation and ancillary services, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

A credit period of less than 60 days is granted by the Group to its trade customers of contract work. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	2019 HK$'000	2018 HK$'000
Less than 1 month	10,428	13,309
1 to 3 months	–	3,726
More than 3 months but less than one year	–	–
Over one year	–	23
	10,428	17,058

20. PREPAYMENTS AND TRADE AND OTHER RECEIVABLES (Continued)

Note: (Continued)

(a) The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2019 HK$'000	2018 HK$'000
Neither past due nor impaired	–	15,543
Less than 1 month past due	10,428	–
1 to 3 months past due	–	1,492
More than 3 months past due but less than 12 months past due	–	–
Over 12 months	–	23
	10,428	17,058

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

(b) Retention receivables

Retention monies withheld by customers of 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.

21. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	40,997	50,091
Short-term deposits	19,671	18,126
	60,668	68,217
Less: pledged bank deposits	(19,671)	(18,126)
Cash and cash equivalents	40,997	50,091

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one to three months, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

The Group has pledged its short-term deposits as securities for its banking facilities.

As at 31 March 2019 and 2018, the Group's banking facilities were secured by:

(a) the Group's bank deposits amounting to approximately HK$19,671,000 (2018: HK$18,126,000); and

(b) blanket counter indemnity from the Group.

22. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables (note (a))	27,521	9,447
Retention payables (note (b))	20,575	8,078
Other payables and accruals (note (c))	5,434	6,158
	53,530	23,683

Note:

(a) An ageing analysis of trade payables, based on the invoice dates, is as follows:

	2019 HK$'000	2018 HK$'000
Current or less than 1 month	12,170	3,730
1 to 3 months	11,770	4,171
More than 3 months but less than one year	1,832	1,447
More than one year	1,749	99
	27,521	9,447

The Group's trade payables are non-interest bearing and generally have payment terms of 7 to 60 days.

(b) Retention monies withheld from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Included in retention payables of approximately HK$20,575,000 (2018: HK$1,315,000) were expected to be settled more than twelve months after the reporting period. The remaining balances of retention payables were expected to be settled within one year after the reporting period.

(c) Other payables are non-interest bearing and generally have payment term of 30-60 days.

23. LEASES

(a) Finance leases

The Group leases a number of its plant and machinery for business use. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 March 2019			
Not later than one year	567	6	561

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 March 2018			
Not later than one year	1,816	62	1,754
Later than one year and not later than two years	567	6	561
	2,383	68	2,315

23. LEASES (Continued)

(a) Finance leases (Continued)

The present value of future lease payments are analysed as:

	2019 HK$'000	2018 HK$'000
Current liabilities	561	1,754
Non-current liabilities	–	561
	561	2,315

(b) Operating leases – lessee

The Group leased its office premises under operating lease arrangements which were negotiated for terms ranging from one to three years (2018: one to three years).

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	2019 HK$'000	2018 HK$'000
Not later than one year	1,733	3,000
Later than one year and not later than two years	–	1,983
	1,733	4,983

24. BANK LOAN

	2019 HK$'000	2018 HK$'000
Bank loan – secured (at amortised)	4,928	–
Presented as		
– current liabilities	4,928	–

The Group's bank loan is repayable as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	4,928	–

Bank loan with the aggregate carrying amount of approximately HK$4,928,000 (2018: HK$Nil) are secured by:

(a) the Group's bank deposits amounting to approximately HK$19,671,000; and

(b) blanket counter indemnity from the Group.

Effective interest rates

The following table shows effective interest rate of the bank loan of the Group:

	2019		2018	
	Effective interest rate %	Carrying amount HK$'000	Effective interest rate %	Carrying amount HK$'000
Fixed rate:				
Bank loan	5.125%	4,928	–	–

25. DEFERRED TAX ASSETS/(LIABILITIES)

Details of the deferred tax assets and liabilities recognised and movements during the current and prior years:

	Accelerated depreciation allowances HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2017	(6,515)	–	(6,515)
Credited to profit or loss for the year (Note 12)	75	4,742	4,817
At 31 March 2018 and 1 April 2018	(6,440)	4,742	(1,698)
(Charged)/credited to profit or loss for the year (Note 12)	(196)	1,894	1,698
At 31 March 2019	(6,636)	6,636	–

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK$	2018 HK$
Deferred tax assets	6,636	4,742
Deferred tax liabilities	(6,636)	(6,440)
	–	(1,698)

26. SHARE CAPITAL AND RESERVES

(a) Share capital

	Notes	Number of ordinary shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 April 2017, 31 March 2018,			
1 April 2018 and 31 March 2019		2,000,000,000	20,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 April 2017, 31 March 2018,			
1 April 2018 and 31 March 2019		684,750,000	6,848

(b) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Movements in the Company's reserves during the years are as follows:

	Share premium (Note (i)) HK$'000	Contributed surplus (Note (iii)) HK$'000	Capital reserve (Note (iv)) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	98,111	123,683	3,446	(10,852)	214,388
Loss for the year	–	–	–	(2,642)	(2,642)
At 31 March 2018	98,111	123,683	3,446	(13,494)	211,746
Loss for the year	–	–	–	(1,709)	(1,709)
At 31 March 2019	98,111	123,683	3,446	(15,203)	210,037

26. SHARE CAPITAL AND RESERVES (Continued)

(b) Reserves (Continued)

The nature and purpose of reserves within equity are as follows:

(i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(ii) Merger reserve

Merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

(iii) Contributed surplus

Contributed surplus of approximately HK$123,683,000 represents the excess of the then carrying amount of the Company's share of equity value of a subsidiary namely Favourable Year Limited acquired and the nominal value of the Company's shares issued for such acquisition.

(iv) Capital reserve

Pursuant to a written confirmation, the ultimate holding company agreed to bear the listing expenses in connection with 50,000,000 sale shares sold through the public offer and placing of the Company' shares during the year and reimburse its share of these expenses to the Company upon the listing of the Company's share on the Main Board of the Stock Exchange. The reimbursement of approximately HK$3,446,000 by the ultimate holding company in its capacity as a shareholder was accounted for as capital contribution to the Company.

(v) Available-for-sale financial asset reserve

It represents unrealised gains or losses recognised as other comprehensive income in relation to investment in a life insurance policy.

(vi) Foreign exchange reserve

It comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

(vii) Retained earnings

It represents cumulative net profits recognised in the consolidated statement of profit or loss and other comprehensive income.

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Amount due from a subsidiary		80,000	–
Investment in a subsidiary		123,684	123,684
		203,684	123,684
Current assets			
Prepayment		109	119
Amount due from a subsidiary		13,007	94,772
Cash and bank balances		117	124
		13,233	95,015
Current liabilities			
Accrual and other payable		32	105
		32	105
Net current asset		13,201	94,910
NET ASSET		216,885	218,594
Equity			
Share capital	26(a)	6,848	6,848
Reserves	26(b)	210,037	211,746
TOTAL EQUITY		216,885	218,594

The Company's statement of financial position was approved and authorised for issue by the Board of Directors of the Company on 27 June 2019.

Chan Lap Wai Gary	**Chan Lap Chuen Edmond**
Director	*Director*

28. PARTICULARS OF SUBSIDIARIES OF THE GROUP

The following list contains the particulars of all subsidiaries of the Group:

Name of the entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company				Issued and fully paid ordinary share capital	Principal activities and principal place of business
		2019		2018			
		Direct	Indirect	Direct	Indirect		
Favourable Year Limited	BVI, 3 March 2016, limited liability company	100%	–	100%	–	US$200 divided into 200 ordinary shares of US$1 each	Investment holding, Hong Kong
Rainbow Republic Limited	BVI, 16 December 2015, limited liability company	–	100%	–	100%	1 share of US$1	Investment holding, Hong Kong
S&S Engineering	Hong Kong, 31 October 1986, limited liability company	–	100%	–	100%	Ordinary shares of HK$10,000,000	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Hong Kong
Simon & Sons Engineering (Macau) Limited	Macau, 19 April 2002, limited liability company	–	100%	–	100%	Registered capital of MOP200,000	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Macau
Vanbo Engineering Limited	Hong Kong, 18 February 1993, limited liability company	–	100%	–	100%	Ordinary shares of HK$2	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Hong Kong

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank overdrafts interest payable HK$'000	Bank loan HK$'000	Finance lease liabilities HK$'000	Total HK$'000
As at 1 April 2018	–	–	2,315	2,315
Cash flows				
Proceeds from bank loan	–	4,928	–	4,928
Repayment of finance lease liabilities	–	–	(1,754)	(1,754)
Interest paid	(15)	(19)	(62)	(96)
Non-cash changes				
Interest incurred	15	19	62	96
As at 31 March 2019	–	4,928	561	5,489

	Amount due to ultimate holding company HK$'000	Bank over drafts interest payable HK$'000	Finance lease payables HK$'000	Total HK$'000
As at 1 April 2017	216	–	5,116	5,332
Cash flows				
Repayment of finance lease liabilities	–	–	(2,801)	(2,801)
Interest paid	–	(10)	(170)	(180)
Repayment to ultimate holding company	(216)	–	–	(216)
	(216)	(10)	(2,971)	(3,197)
Non-cash changes				
Interest incurred	–	10	170	180
As at 31 March 2018	–	–	2,315	2,315

30. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are investment in a life insurance policy, contract assets, trade and other receivables, pledged bank deposits and cash and cash equivalents that derive principally directly from its operations. Principal financial liabilities of the Group are trade and other payables, finance lease liabilities and bank loan. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In general, the Group does not obtain any collateral from customers.

The Group measures loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

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

Movement in the allowance for credit loss in respect of trade receivables and contract assets during the year is as follows:

	HK$'000
Balance at 31 March 2018 under HKAS 39	–
Impact on initial application of HKFRS 9 at 1 April 2018 (Note 3)	14,775
Balance at 1 April 2018	14,775
Reversal of allowance for credit loss	(164)
Balance at 31 March 2019	14,611

30. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the years and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Over 1 year but less than 2 years HK$'000	Total HK$'000
At 31 March 2019					
Trade and other payables	14,706	11,770	1,831	25,223	53,530
Finance lease liabilities	–	341	226	–	567
	14,706	12,111	2,057	25,223	54,097
At 31 March 2018					
Trade and other payables	10,706	5,983	5,637	1,414	23,740
Finance lease liabilities	–	681	1,135	567	2,383
	10,706	6,664	6,772	1,981	26,123

30. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, bank loan and finance leases liabilities. The Group's interest rate profiles as monitored by management is set out below.

The Group does not anticipate significant impact to cash at banks because the interest rates of bank deposits are not expected to change significantly. Other than bank loan and finance lease liabilities which carry interest at fixed interest rates, the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from bank loan and finance lease liabilities.

However, the interest expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors of the Company are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed. The Group has not used financial derivatives to hedge against the interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

(d) Currency risk

The Group's functional currency is Hong Kong dollars as substantially all the revenue are in Hong Kong dollars. The Group's transactional foreign exchange exposure was insignificant.

30. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year.

The Group monitors capital using a gearing ratio, which is interest-bearing debts divided by the total equity.

	2019 HK$'000	2018 HK$'000
Interest-bearing debts	5,489	2,315
Total equity	168,215	228,283
Gearing ratio	3.26%	1.0%

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of each of the categories of financial assets and liabilities:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial asset at fair value through profit or loss		
(2018: Available-for-sale financial assets):		
Investment in a life insurance policy	2,567	2,488
Financial assets at amortised cost		
(2018: Loans and receivables):		
Trade and other receivables	23,817	39,663
Pledged bank deposits	19,671	18,126
Cash and cash equivalents	40,997	50,091
	87,052	110,368
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	54,056	23,683
Finance lease liabilities	561	2,315
Bank loan	4,928	–
	59,545	25,998

The carrying amounts of the financial instruments reasonably approximated to their fair values as at 31 March 2019 and 2018.

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

The fair value of the Group's investment in a life insurance policy as at 31 March 2019 and 2018 is determined based on the account value less surrender charge, as provided by the insurers. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related changes in fair value, which is recorded in other comprehensive income, is reasonable, and that it was the most appropriate value at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation together with a quantitative sensitivity analysis as at 31 March 2019 and 2018:

	Valuation technique	Significant unobservable input	Value	Sensitivity of fair value to the input
Investment in a life insurance policy classified as financial assets at fair value though profit or loss	N/A	Account value	31 March 2019: approximately HK$2,567,000	5% increase in account value would result in increase in fair value by approximately HK$128,350
Investment in a life insurance policy classified as an available-for-sale investment	N/A	Account value	31 March 2018: approximately HK$2,890,000	5% increase in account value would result in increase in fair value by approximately HK$144,500

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Fair value measurement using significant unobservable inputs (Level 3) HK$'000
As at 31 March 2019	
Financial asset at fair value though profit or loss	2,567
As at 31 March 2018	
Available-for-sale investments	2,488

The movements in fair value measurement in Level 3 during the current and prior years are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	2,488	2,387
Changes in fair value of investment in a life insurance policy recognised in other comprehensive income	–	7
Total gain on investment in life insurance policy recognised in profit or loss	79	94
At end of the year	2,567	2,488

There were no changes in valuation techniques and no transfers between levels during the year

32. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the current and prior years are set out in Note 11 to the consolidated financial statements.

33. SHARE OPTION SCHEME

The shareholders of the Company have adopted a share option scheme (the "Scheme") on 24 October 2016.

A summary of the Scheme is set out as below:

(i) The Scheme became effective for a period of 10 years commencing from the date on which Scheme becomes unconditional.

(ii) Under the Scheme, a subscription price 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 our 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 our shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

(iii) An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made.

(iv) The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of our Company (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 our Company) must not in aggregate exceed 10% of all our shares in issue as at the listing date.

No options have been granted since the adoption of the Scheme.

34. LITIGATIONS

At the end of the reporting period, there was a labour claim arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the application of the claim. In the opinion of the directors, the Group has sufficient insurance coverage to cover the loss, if any, arising from the claim and therefore the ultimate liability under the claim would not has a material adverse impact on the financial position or results of the Group.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	241,612	220,240	403,266	464,303	143,082
(Loss)/profit before income tax expense	(53,001)	(30,620)	46,213	49,546	13,928
Income tax credit/(expense)	7,680	4,904	(9,768)	(9,595)	(2,746)
(Loss)/profit for the year	(45,321)	(25,716)	36,445	39,951	11,182
Total comprehensive (loss)/income for the year	(45,293)	(25,679)	36,416	39,948	10,935
ASSETS AND LIABILITIES					
Total assets	227,234	(258,958)	354,667	257,357	238,252
Total liabilities	(59,019)	(30,675)	(100,705)	(68,216)	(89,059)
Net assets	168,215	228,283	253,962	189,141	149,193

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