B & D Strategic Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1780

2019
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Wing Kwok *(Chairman)*
Mr. Lo Wing Hang *(Vice chairman and Chief executive officer)*

Independent non-executive Directors

Mr. Yeung Tze Long
Mr. Yiu Chun Wing
Mr. Cheung Ting Kin

AUDIT COMMITTEE

Mr. Yeung Tze Long *(Chairman)*
Mr. Yiu Chun Wing
Mr. Cheung Tin Kin

REMUNERATION COMMITTEE

Mr. Yeung Tze Long *(Chairman)*
Mr. Lo Wing Hang
Mr. Yiu Chun Wing

NOMINATION COMMITTEE

Mr. Tang Wing Kwok *(Chairman)*
Mr. Yiu Chun Wing
Mr. Cheung Tin Kin

COMPANY SECRETARY

Ms. Li Yuen Shan

AUTHORISED REPRESENTATIVES

Mr. Tang Wing Kwok
Ms. Li Yuen Shan

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2803–2803A, Asia Trade Centre
No. 79 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

COMPLIANCE ADVISER

Grande Capital Limited
Room 2701, 27th Floor, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Adrian Yeung & Cheng
Suite 1201–2A, 12th Floor
Golden Centre
188 Des Voeux Road Central
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

Corporate Information

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKER

Shanghai Commercial Bank Limited
Shop G1–2, Ground Floor, Metro City Plaza III
The Metropolis
8 Mau Yip Road, Tseung Kwan O
New Territories
Hong Kong

COMPANY WEBSITE

www.bnd-strategic.com.hk

STOCK CODE

1780

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of B & D Strategic Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the first annual report of the Group for the year ended 31 March 2019.

The Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 April 2019 (the "**Listing Date**"). The Listing marked a new milestone for the Company and its future development which involved the share offer of 155 million shares of HK$0.01 each at an offer price of HK$0.84 per share to the public and successfully raised a total net cash proceeds of approximately HK$96.7 million (after deducting the underwriting commissions and estimated expenses payable by the Company in connection with the Share Offer). We believe that the Listing has not only enhanced our corporate profile, but also reinforced our Group's image as a well-established company as well as broadening our client base and providing sufficient capital for our expansion.

During the year ended 31 March 2019, the Group is principally engaged in civil engineering works and alteration and addition works in Hong Kong. For the year ended 31 March 2019, the Group's total revenue amounted to approximately HK$300.9 million, representing an increase of approximately 28.8% as compared to that of the year ended 31 March 2018. Profit attributable to owners of the Company before taking into account the listing expenses was approximately HK$50.9 million. After taking into account the aforesaid listing expenses, profit attributable to owners of the Company was approximately HK$33.4 million. With the intensified competition in the civil engineering works and alternation and addition works in Hong Kong, as well as the labour shortage and the increasing operation costs, the Group is facing new challenges ahead. Nevertheless, we remain cautiously optimistic towards the future as we believe that we shall remain competitive in the market despite the industry's prospect due to (i) our long-standing relationship with some of our major customers, suppliers and subcontractors; (ii) our capability to provide diverse types of services; (iii) our well-established presence in the construction industry in Hong Kong; and (iv) our experienced and dedicated management team.

Looking forward, the Group will intensely focus on maintaining its competitive strengths. It will also realise other growth opportunities and continue to execute our growth strategies as set out in the listing prospectus dated 13 April 2019 (the "**Prospectus**") in order to maintain our competitiveness and provide comprehensive services to our customers.

Last but not the least, I would like to express my thanks to the management team. The year of 2019 is a demanding year and I am extremely proud of the dedication and commitment our management team has shown in support of achieving our growth.

TANG Wing Kwok
Chairman

Hong Kong, 20 June 2019

Management Discussion and Analysis

INDUSTRY OVERVIEW

Based on the independent industry research report commissioned by the Company and as disclosed in the Prospectus, the construction industry in Hong Kong recorded a stable growth in 2017. Government has constantly supported the development of the construction industry in both private and public sectors in Hong Kong. It was announced in the 2017–18 Policy Address that a projected 460,000 housing units will be supplied to cater for the continuous demand for residential units in the next decade; which includes approximately 200,000 public rental housing (PRH) units, 80,000 subsidized sale flats and 180,000 private housing units. Similarly, the 2018–19 Budget suggested completing an estimated number of 100,000 public residential units in the next 5 years and 97,000 firsthand private residential units in the next three to four years. The 2018–19 Land Sale Programme is expected to provide 27 residential sites offering 15,200 residential units, together with the sites rolled over from the previous fiscal year. Moreover, it was envisaged that specific suitable Government, Institution or Community (GIC) sites in Kowloon East will be converted for commercial use with the view of developing Kowloon East as a secondary core business district. Such area is expected to release approximately 560,000 square metres of office floor areas. Such plans are expected to further facilitate the growth of the construction industry and the gross output value for construction is forecasted to grow at a CAGR of approximately 2.8% from 2018 to 2022.

RMAA Industry Overview

Repair and maintenance (RM) works mainly include restoration and improvement of existing facilities and components of buildings, such as re-roofing, external wall refurbishment, internal wall refurbishment, internal floor refurbishment, internal ceiling refurbishment, doors and windows, plumbing and drainage and electrical works, etc. Alteration and addition (A&A) works mainly include design of new structural works, fitting-out works changes in facilities configuration, construction of a new extension to an existing building, conversion of an existing building to different types etc. It is generally considered that A&A works require a higher level of engineering and labour expertise than RM works.

The growth of repair, maintenance, alteration and addition ("**RMAA**") industry has been supported by private re-development projects endorsed by the Development Bureau upon the implementation of "Land Sales Programme". For example, private developers can acquire land from the Government for re-development projects to produce more residential flats. Apart from projects of residential buildings, conversion projects of industrial buildings also drive the development of RMAA industry in Hong Kong. Since 2001, the Lands Department has introduced Waiver Scheme to owners of industrial premises to facilitate the conversion and optimize the use of industrial buildings to support growths of other industries. For example, an industrial building has been converted to a data centre in Shatin, which help accommodate the development of data centres in Hong Kong. The conversion of industrial buildings often requires demolition and alteration of the existing buildings and thus is an important driver to the RMAA industry in Hong Kong.

INDUSTRY OVERVIEW (continued)

Site Formation and Foundation Industry Overview

Site formation work aims to provide a safe and firm ground for foundation and building works. Commonly, site formation begins with land levelling and slope, followed by forming land to the required orientation. If needed, retention wall will be constructed for build-ups such as roadways, drainage and other related infrastructure or buildings. The main purpose of foundation works is to provide a solid base for construction structures to be built upon it. These works include piling construction, excavation and lateral support (ELS) work, pile cap construction and some other ancillary services. Site formation and foundation works are closely connected with each other. It is not uncommon for the two work types to be grouped together in one tender.

In consideration of high population density and strong need of housing supply, the Government announced in 2017 Policy Address the New Development Areas (NDAs) and new town extensions to create new lands and fulfill the need of new town development. The projects focus on the development of Kwu Tung North, Fanling North, Tung Chung, Hung Shui Kiu and Yuen Long South. These projects call for large-scale site formation works to transform mountainous areas and lands into usable lands and accommodate residential buildings and other facilities, similar to the past site formation projects including the development project of Anderson Road Quarry site. As a result, it is expected that there will be a constant need of site formation works, especially for private sectors, in Hong Kong during the implementation of New Development Areas and new town extensions projects.

Taking the factors discussed above into consideration, the Group shall remain cautiously optimistic towards the future. In the coming year, we will continue to seize business opportunities but at the same time, remain vigilant for any possible future development within the RMAA and site formation and foundation industry.

BUSINESS REVIEW AND OUTLOOK

We are a contractor specialising in alteration and addition works and civil engineering works in Hong Kong. In order to emphasise the specification on different fields of construction works, among our principal operating subsidiaries, Ka Shun Contractors Limited mainly focuses on the provision of alteration and addition works, while Ka Shun Civil Engineering Company Limited and Ka Construction Company Limited mainly focus on the provision of civil engineering works which generally include site formation works and foundation works.

We have obtained all material licenses, permits and registration required for carrying on our business activities, including the Registered General Building Contractors and the Specialist Contractors — Site Formation Works granted by the Buildings Department; the Approved Contractors for Public Works (Roads and Drainage) and the Approved Contractors for Public Works (Site Formation) both under Group B (probationary) granted by Works Branch of the Development Bureau of the Government of Hong Kong; and Subcontractor Registration Scheme of the Construction Industry Council under the group of concreting formwork, reinforcement bar fixing, concreting and general civil works.

As at 31 March 2019, the Group had 9 contracts on hand (including contracts in progress and contracts which are yet to commence) with a total original contract value of approximately HK$624.0 million. As at 31 March 2018, we had 8 contracts on hand with a total original contract value of approximately HK$438.0 million.

The shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 30 April 2019, when 155,000,000 ordinary shares (comprising a public offer of 31,000,000 shares and placing of 124,000,000 shares) had been offered for subscription, at an offer price of HK$0.84 per Share. The proceeds received from the share offer have strengthened the Group's cash flow and the Group will implement its future plans as set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK$233.7 million for the year ended 31 March 2018 to approximately HK$300.9 million for the year ended 31 March 2019, representing an increase of approximately 28.8%.

The increase was primarily due to (i) the increased efforts in pursuing projects of relatively larger scale with higher income; and (ii) an increase in the number of projects with revenue contribution during the year ended 31 March 2019.

Gross Profit and Gross Profit Margin

Our direct costs increased from approximately HK$181.6 million for the year ended 31 March 2018 to approximately HK$230.7 million for the year ended 31 March 2019, representing an increase of approximately 27.1%. Such increase in direct costs was generally in line with the increase in the revenue.

Our gross profit amounted to approximately HK$52.2 million and approximately HK$70.2 million for the year ended 31 March 2018 and the year ended 31 March 2019 respectively, representing an increase of approximately 34.6%. The increase in our gross profit was primarily due to the increase in our revenue due to reasons discussed above and the increase in overall gross profit margin.

The gross profit margin of alteration and addition works segment increased from approximately 19.3% for the year ended 31 March 2018 to approximately 24.2% for the year ended 31 March 2019. The increase was mainly because higher gross profit margin for the core construction works of two main alteration and addition projects were recognised in the year ended 31 March 2019.

The gross profit margin of civil engineering works segment decreased from approximately 26.7% for the year ended 31 March 2018 to approximately 21.2% for the year ended 31 March 2019. The decrease was mainly because higher gross profit margin for the core construction works of two main civil engineering projects were recognised in the year ended 31 March 2018. During the year ended 31 March 2019, such two main civil engineering projects were in completion stage and certain new civil engineering projects were in initial stage, which generated a lower profit margin.

Other Income, Other Gains or Losses

Our other income, other gains or losses decreased from a net gain of approximately HK$17.1 million for the year ended 31 March 2018 to a net gain of approximately HK$0.1 million for the year ended 31 March 2019. Such difference was mainly due to the gain on disposal of a subsidiary of approximately HK$17.2 million recognised during the year ended 31 March 2018 while no such gain was recognised during the year ended 31 March 2019.

Administrative Expenses

Our administrative expenses decreased from approximately HK$10.1 million for the year ended 31 March 2018 to approximately HK$9.7 million for the year ended 31 March 2019, representing an decrease of approximately 4.3%. Such decrease was mainly due to the decrease in our staff costs as a result of the decrease in the bonus payment during the year ended 31 March 2019.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Income Tax Expense

Our profit before tax decreased from approximately HK$57.6 million for the year ended 31 March 2018 to approximately HK$43.1 million for the year ended 31 March 2019, which was mainly attributable to the net effect of (i) the increase in revenue and gross profit as discussed above; and (ii) the recognition of listing expenses of approximately HK$17.5 million during the year ended 31 March 2019 while only approximately HK$1.5 million were of listing expenses recognised during the year ended 31 March 2018.

Despite of the decrease in our profit before tax, our income tax expense increased from approximately HK$7.3 million for the year ended 31 March 2018 to approximately HK$9.7 million for the year ended 31 March 2019 as a result of the net effect of (i) the increase in the revenue and gross profit as discussed above; and (ii) the tax effect of the non-deductible listing expenses for the year ended 31 March 2019.

Profit and Total Comprehensive Income for the year

Our profit and total comprehensive income for the year decreased from approximately HK$50.3 million for the year ended 31 March 2018 to approximately HK$33.4 million for the year ended 31 March 2019, which was mainly due to the net effect of (i) the increase in revenue and gross profit as discussed above; (ii) the recognition of gain on disposal of a subsidiary of HK$17.2 million for the year ended 31 March 2018 but there was no such gain for the year ended 31 March 2019; (iii) the recognition of listing expenses of approximately HK$17.5 million during the year ended 31 March 2019 while only approximately HK$1.5 million were recognised during the year ended 31 March 2018.

Key Financial Ratio

	Notes	**As at 31 March 2019**	As at 31 March 2018
Current ratio	1	**3.9 times**	2.4 times
Return on total assets	2	**17.0%**	26.5%
Return on equity	3	**22.8%**	44.4%
Net profit margin	4	**11.1%**	21.5%

Notes:

1. Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

2. Return on total assets is calculated as profit and total comprehensive income for the year divided by the total assets as of the respective reporting dates.

3. Return on equity is calculated as profit and total comprehensive income for the year divided by the total equity attributable to owners of the Company as of the respective reporting dates.

4. Net profit margin is calculated as profit and total comprehensive income divided by the revenue for the respective reporting years.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Current Ratio

Our current ratio was increased from approximately 2.4 times as at 31 March 2018 to approximately 3.9 times as at 31 March 2019. The increase was mainly due to the decrease in trade payables as we settled our trade payables.

Return on Total Assets

Our return on total assets decreased from approximately 26.5% for the year ended 31 March 2018 to approximately 17.0% for the year ended 31 March 2019. The decrease was mainly due to the recognition of gain on disposal of a subsidiary of approximately HK$17.2 million during the year ended 31 March 2018.

Return on Equity

Our return on equity decreased from approximately 44.4% for the year ended 31 March 2018 to approximately 22.8% for the year ended 31 March 2019. The decrease was mainly due to the recognition of gain on disposal of a subsidiary of approximately HK$17.2 million during the year ended 31 March 2018.

Net Profit Margin

Our Group's net profit margin decreased from approximately 21.5% for the year ended 31 March 2018 to approximately 11.1% for the year ended 31 March 2019. The decrease was primarily due to (i) the gain on disposal of a subsidiary amounted to approximately HK$17.2 million recognised during the year ended 31 March 2018; and (ii) the listing expenses of approximately HK$17.5 million recognised in the year ended 31 March 2019 while only approximately HK$1.5 million were recognised during the year ended 31 March 2018. If the above gain and expenses are not taken into account, the Group would have an adjusted net profit margin of approximately 14.8% for the year ended 31 March 2018 and approximately 16.9% for the year ended 31 March 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2019, the Company's issued capital was HK$100 and the number of its issued ordinary shares was 10,000 shares of HK$0.01 each.

As at 31 March 2019, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK$61.1 million and approximately HK$21.3 million respectively (31 March 2018: approximately HK$44.7 million and approximately HK$6.7 million respectively).

The Group has funded the liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities for the year ended 31 March 2019.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

GEARING RATIO

Gearing ratio is calculated by dividing all borrowings by total equity at the year-end date and expressed as a percentage. The gearing ratio of the Group as at 31 March 2019 was 0% (2018: 0%).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURES

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange exposure for the year ended 31 March 2019 as well as for the year ended 31 March 2018.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2018 and 2019, the Group had no material capital commitments and contingent liabilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2019, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries and associated companies apart from the corporate reorganisation in relation to the Listing as disclosed in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, there was no plans for material investments or capital assets as at 31 March 2019.

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

As the Listing of the Company's shares has commenced on the Stock Exchange on 30 April 2019 (the "**Listing Date**") (i.e. after the year ended 31 March 2019), the Company has not yet had the proceeds from the Listing as of 31 March 2019. The net proceed from the initial public offering amounted to approximately HK$96.7 million, which will be applied by the Group in accordance with the disclosure as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Up to the date of this annual report, details of the use of the proceeds are listed as below:

	Planned use of proceed HK$'000	Actual usage up to 20 June 2019 HK$'000
Strengthening our financial position	77,428	29,265
Expanding our workforce	10,840	–
Enhancing our machinery fleet		
— Replacing NRMM exempted machinery	4,162	4,162
General working capital	4,355	4,355
	96,785	37,782

Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS (continued)

As at the date of this annual report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong. The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. Up to the date of this annual report, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, we employed a total of 89 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 106 full-time employees as at 31 March 2018. The remuneration packages that the Group offers to employees includes salary, discretionary bonuses, staff benefits, contributions and retirement schemes as well as other cash subsidies. In general, the Group determines employee's salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff cost incurred by the Group for the year ended 31 March 2019 was approximately HK$30.9 million compared to approximately HK$30.3 million in the corresponding year ended 31 March 2018.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: approximately HK$63.7 million).

EVENTS AFTER THE YEAR ENDED 31 MARCH 2019

Subsequent to 31 March 2019, the following material events took place for the purpose of the Listing of the Company:

(a) on 4 April 2019, written resolutions of the sole shareholder of the Company were passed to increase the authorised share capital of the Company from HK$380,000 divided into 38,000,000 ordinary shares of the Company of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 ordinary shares of the Company of HK$0.01 each by the creation of additional 4,962,000,000 new ordinary shares of the Company of HK$0.01 each, ranking pari passu in all respects with the ordinary shares of the Company then in issue;

(b) on 4 April 2019, the Company adopted the Share Option Scheme with the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in the Appendix V of the Prospectus and as referred to in the paragraph headed "Share Option Scheme" in the Directors' Report of this annual report;

(c) on 30 April 2019, pursuant to the written resolutions of the sole Shareholder of the Company passed on 4 April 2019, the Company effected the capitalisation of an amount of HK$4,649,900 standing to the credit of the share premium account of the Company as a result of the Share Offer and to appropriate such amount as to capital to pay up in full, at par, 464,990,000 ordinary shares of the Company of HK$0.01 each for allotment and issue to the shareholders of the Company on 4 April 2019, each ranking pari passu in all respects with the then existing issued ordinary shares of the Company;

(d) on 30 April 2019, 155,000,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.84 per share by way of public offer and placing. On the same date, the Company's Shares were listed on the Main Board of the Stock Exchange.

Save as disclosed above, there is no material event undertaken by the Group after 31 March 2019 and up to the date of this annual report.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Tang Wing Kwok (鄧永國), aged 50, is our Chairman and an executive Director. He was appointed a Director on 24 April 2018 and was re-designated as an executive Director on 31 May 2018. Mr. Tang is one of our Controlling Shareholders ("**Controlling Shareholders**") and the chairman of the nomination committee. Mr. Tang is responsible for giving strategic advice and guidance on the business and operations of our Group, project planning, budgeting, execution of daily management and administration of our business and operations.

Mr. Tang has accumulated over 25 years of experience in the civil engineering industry in Hong Kong. Mr. Tang is a co-founder of our Group. He has been an Authorised Signatory of Ka Shun Civil Engineering Company Limited ("**Ka Shun Civil Engineering**") since Ka Shun Civil Engineering has been registered in the register of the general building contractors maintained by the Buildings Department. Save and except Mr. Tang resigned as director of Ka Shun Contractors Limited ("**Ka Shun Contractors**") and was appointed on 13 March 2017, Mr. Tang has been a director of Ka Shun Civil Engineering, Ka Shun Contractors and Ka Construction Company Limited ("**Ka Construction**") since August 1995, July 2003 and October 2012 respectively. He is also a director of Sky Winner Holdings Limited ("Sky Winner") (one of our Controlling Shareholders), Joy Goal Limited ("**Joy Goal**"), Best Century International Holding Ltd ("**Best Century International**") and Profit Gather Investment Limited ("**Profit Gather Investment**").

Mr. Tang obtained a bachelor degree of Science in Quantity Surveying from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1991. Mr. Tang has been a Professional Associate of The Royal Institution of Chartered Surveyors since January 1995, an Associate of The Hong Kong Institute of Surveyors since June 1998, a member of the Association for Project Management since March 1999 and a Registered Professional Surveyor in the Quantity Surveying Division of the Surveyors Registration Board since October 2001.

Prior to his setting up Ka Shun Civil Engineering in July 1995, Mr. Tang had been an assistant quantity surveyor of Ove Arup & Partners Hong Kong Limited from April 1993 to February 1995.

Mr. Lo Wing Hang (勞永亨), aged 63, is our Vice-chairman of our Board, the chief executive officer and an executive Director. He was appointed a Director on 24 April 2018 and was re-designated as an executive Director on 31 May 2018. Mr. Lo is one of our Controlling Shareholders and a member of the remuneration committee. Mr. Lo is responsible for overall business development, project planning, budgeting, contract administration, overseeing execution of projects and managing quality management system.

Mr. Lo has accumulated over 40 years of experience in the construction industry in Hong Kong. Mr. Lo is a founder of Ka Shun Contractors and was a director since July 2003. He has been an Authorised Signatory of Ka Shun Contractors since Ka Shun Contractors has been registered in the register of the general building contractors maintained by the Buildings Department in July 2011. Mr. Lo has been a director of Ka Shun Civil Engineering and Ka Construction since December 2010 and October 2012 respectively. He is also a director of Sky Winner, Joy Goal, Best Century International and Profit Gather Investment.

Biographical Details of Directors and Senior Management

Executive Directors (continued)

Mr. Lo obtained a Certificate in Civil Engineering from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982, an Advanced Diploma in Construction Management from the School of Professional and Continuing Education of The University of Hong Kong in March 2003, a Professional Diploma in Construction Project Management from the School of Professional and Continuing Education of The University of Hong Kong in July 2004, a degree of Bachelor of Science in Work Based Learning Studies (Construction Project Management) (a distance learning programme with some face-to-face contact) from Middlesex University, the United Kingdom in February 2009, a Bachelor of Applied Science (Construction management and economics) from the Curtin University of Technology, Australia in February 2010, in which Mr. Lo was classed as an overseas student where he studied at the said University's default location — HKU SPACE Island East.

Mr. Lo was admitted a member of the Hong Kong Institute of Construction Managers in May 2012, a Registered Construction Manager of the Hong Kong Institute of Construction Managers in September 2014, a Chartered Building Engineer and a member of the Chartered Association of Building Engineers in December 2014 and a fellow member of the National Council of The Australian Institute of Building in March 2015.

Prior to joining our Group, Mr. Lo was a foreman of Hing Lee Construction Co., Ltd. from June 1978 to 1981, a project manager of South Star Construction Company Limited from January 1983 to March 1987, a sub-agent of Sung Foo Kee Limited from March 1987 to June 1990 and his last position was a site agent, and a site agent of International Tak Cheung Construction & Engineering Co. Ltd. from March 1991 to April 1992 where his last position was a project manager. Mr. Lo was a shareholder of Program Contractors Limited, a private limited company operating engineering business in Hong Kong from February 1992 to November 2003 and a director from December 1991 to April 2004.

Mr. Lo is the father of Mr. Lo Wai Man, a member of our senior management.

Independent non-executive Directors

Mr. Yeung Tsz Long (楊子朗), aged 44, is an independent non-executive Director appointed by our Company on 4 April 2019. Mr. Yeung is also the chairman of the audit committee and the remuneration committee.

Mr. Yeung obtained a degree of Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 1997. He was registered as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2001.

Mr. Yeung, with start from February 2019, currently is the general manager in the group finance department of a private logistic and industrial property developer and operator principally operating in the PRC. He was an authorised representative, chief financial officer and company secretary of China Ruifeng Renewable Energy Holdings Limited (stock code: 0527), a company listed on the Main Board of the Stock Exchange, from June 2017 to December 2018. He was an audit principal of Zhonghui Anda CPA Limited from April 2014 to May 2017, a director of internal audit & finance integration of Greenheart Group Limited (stock code: 94), a company listed on the Main Board of the Stock Exchange, from January 2010 to November 2013, and a staff accountant of Ernst and Young from 1997 to 2008 with his last position as a senior manager.

Independent non-executive Directors (continued)

Mr. Yiu Chun Wing (姚俊榮) (formerly known as Mr. Yiu Ka Wai (姚家煒)), aged 37, is an independent non-executive Director appointed by our Company on 4 April 2019. Mr. Yiu is also a member of the audit committee, the remuneration committee and the nomination committee.

Mr. Yiu graduated with a degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2004. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in May 2010.

Mr. Yiu has approximately 14 years of experience in finance and accounting. Prior to joining the Group, he worked in various finance and accounting companies in Hong Kong. Currently, he has been the chief financial officer and company secretary of Tin Shing Group Holdings Limited since November 2018 and January 2019, respectively. He worked with United Intelligence Control Limited as a financial controller from February 2018 to July 2018. He was the financial controller of Ming Kee Cargo Company Limited from July 2017 to November 2017; the financial controller and company secretary of Zhejiang United Investment Holdings Group Limited (formerly known as Fraser Holdings Limited), the shares of which are listed on GEM of the Stock Exchange (stock code: 8366) from April 2015 to June 2017; a senior officer of accounts and finance department of Promise (Hong Kong) Co., Limited from February 2014 to April 2015; an audit supervising senior of Moore Stephens Associates Limited from December 2010 to December 2011 and an audit supervisor from January 2012 to November 2012; a deputy assistant audit manager of ZYCPA Company Limited from August 2008 to December 2010; an accountant of HLB Hodgson Impey Cheng from November 2005 to December 2007 where his last position was a senior accountant; and a semi-senior auditor of Lau Lei Choi Consultants Limited from August 2004 to October 2005.

Mr. Cheung Ting Kin (張錠堅), aged 36, is an independent non-executive Director appointed by our Company on 4 April 2019. Mr. Cheung is also a member of the audit committee and the nomination committee.

Mr. Cheung obtained a degree of Bachelor of Commerce Accounting and Finance from the Curtin University of Technology, Australia in September 2004 and a Master of Finance from the Australian National University, Australia in December 2005. He was admitted as an associate of CPA Australia in June 2004 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in March 2015. He was also awarded as a certified dealmaker by the China Mergers & Acquisitions Association in February 2015.

Mr. Cheung has accumulated over 13 years of experience in the accounting and financial areas. He is currently an independent non-executive director of Sun Cheong Creative Holdings Limited (stock code: 1781), a company listed on the Main Board of the Stock Exchange, since August 2018. He is the business development director of Plutus Securities Limited (a licensed corporation under the SFO to engage in Type 1 (Dealing in securities) regulated activity) and Plutus Asset Management Limited (a licensed corporation under the SFO to engage in Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities) since January 2019. He is currently also a non-executive director of Guardians Asset Management Limited since February 2017 and a director of Maia Global Investments Limited since June 2016, responsible for overseeing the overall management and strategic planning. He was previously the chief financial officer and company secretary of Richly Field China Development Limited (stock code: 313), a company listed on the Main Board of the Stock Exchange, since July 2014 and July 2015 respectively, where he first joined as a financial controller from October 2013 to July 2014. He was previously the chief financial officer of Seige Communication Limited from January 2012 to December 2013, the chief financial officer of Surrey Junction Investment Limited from May 2010 to November 2011 and the staff accountant of Ernst & Young (an international accounting firm) from September 2006 to November 2009, where his last position was a senior accountant.

Biographical Details of Directors and Senior Management

Senior Management

Mr. Leung Kin Fung Stephen (梁建豐) (formerly known as Leung Kin San Stephen (梁建新)), aged 58, is a technical director and authorised signatory of our Group. Mr. Leung joined our Group in February 2000 and is responsible for overseeing technical engineering-related matters of our Group. Mr. Leung has been the technical director of Ka Shun Civil Engineering in the register of the general building contractors maintained with the Buildings Department, since June 2000. He has also been the authorised signatory and the technical director of Ka Shun Civil Engineering in the register of specialist contractor in site formation category maintained with the Buildings Department since May 2000. Mr. Leung has accumulated over 18 years of experience in practicing as an engineer with our Group. Prior to joining our Group, Mr. Leung worked as a site engineering for Kirin Civil Engineering Contractors Limited from June 1991 to October 1994, an Assistant Engineer with Blyth & Blyth Service Company Limited from August 1990 to April 1991 and a structural engineer with Birkett Stevens Colman Partnership from October 1986 to July 1990.

Mr. Leung obtained a bachelor degree of Engineering from the Middlesex Polytechnic, the United Kingdom, in July 1986 and a degree of Master of Business Administration from American City University in June 2012. He was admitted as a member of The Institution of Structural Engineers in March 1992, a Chartered Engineer of The Institution of Structural Engineers in August 1993 and a member of the Hong Kong Institution of Engineers in April 1999. He has been registered as a Registered Professional Engineer (Structural) of the Engineers Registration Board since December 1999. Mr. Leung has been a Regional Commander (Des)/KE of the Auxiliary Medical Service since July 2015.

Mr. Lau Kwun Ho (劉冠豪), aged 38, is a project manager of our Group. Mr. Lau joined our Group from November 2004 to February 2012 and re-joined our Group in September 2012. He is responsible for overall project and site supervision and monitoring. Mr. Lau has been the authorised signatory of Ka Construction in the register of general building contractors maintained with the Building Department since September 2017.

Mr. Lau obtained a higher diploma in Building Studies from the Hong Kong Institute of Vocational Education in June 2006 and a bachelor degree of Science in Construction Project Management from the University of Central Lancashire in December 2013. Prior to his re-joining our Group in September 2012, he worked with Sanfield (Management) Ltd. from March 2012 to August 2012 and his last position was a coordinator.

Mr. Lo Wai Man (勞瑋文), aged 33, is a project manager of our Group. Mr. Lo Wai Man joined our Group as an assistant project engineer in June 2010 and was promoted to the present position in February 2012. He is responsible for overall project supervision and management. He has accumulated over 8 years of experience in supervising and managing our projects. Mr. Lo Wai Man is the son of Mr. Lo Wing Hang. He has been appointed a director of Joy Goal, Ka Shun Civil Engineering and Ka Shun Contractor since January 2018, January 2018 and April 2015, respectively.

Biographical Details of Directors and Senior Management

Senior Management (continued)

Ms. Li Yuen Shan (李婉珊), aged 38, was appointed as the company secretary of our Company on 4 April 2019. Ms. Li joined our Company as a financial controller in May 2018. She is mainly responsible for financial management, corporate governance and overall secretarial matters of our Group.

Ms. Li obtained a degree of Bachelor of Business Administration in Accountancy from the City University of Hong Kong in November 2003. She was admitted a member of the Association of Chartered Certified Accountants in December 2013. She was also admitted an associate of The Institute of Chartered Secretaries and Administrators and an associate of The Hong Kong Institute of Chartered Secretaries both in December 2017.

Ms. Li accumulated approximately 8 years of experience in the financial operation of subsidiaries of listed companies. She was experienced in audit and accountancy areas by her works in various CPA firms. Prior to joining our Group, she was the financial controller of JC Group Management Limited (a subsidiary of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited), a company listed on the GEM of the Stock Exchange (stock code: 8326) from April 2018 to May 2018, and was a financial controller of H-View F & B Group (another subsidiary of Tonking New Energy Group Limited) from September 2014 to March 2018. She was an assistant financial manager of Ferson Limited (a subsidiary of China Reifeng Renewable Energy Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0527)) from July 2010 to May 2014.

Mr. Yeung Ka Chun (楊嘉俊), aged 30, is an account and finance manager of our Group. Mr. Yeung joined our Group in October 2017 as an assistant accounting manager and was promoted to the present position in January 2018. He is mainly responsible for overseeing daily accounting and financial-related matters of our Group.

Mr. Yeung obtained a Higher Diploma in Accountancy from the Vocational Training Council, Hong Kong in July 2010 and a degree of Bachelor of Business Administration in Accounting from The Open University of Hong Kong in November 2013.

Mr. Yeung has accumulated 7 years in accounting and audit fields in Hong Kong. Prior to joining our Group, he has been working in the account and audit departments of various local CPA firms from August 2010 to October 2017 when he attained the position of a senior auditor.

Company Secretary

Ms. Li Yuen Shan (李婉珊) was appointed as the company secretary of our Company on 4 April 2019. She is mainly responsible for financial management, corporate governance and overall corporate secretarial matters of our Group. Details of her qualifications and experience are set out in the paragraph headed "Senior management" above.

Directors' Report

The Board is pleased to present its first report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the "**Financial Statements**").

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands with limited liability on 24 April 2018. The Company completed the corporate reorganisation (the "**Reorganisation**") on 19 June 2018 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation — Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 30 April 2019 by way of share offer.

The Company is domiciled in Hong Kong and has a principal place of business at Units 2803–2803A, Asia Trade Centre, No. 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the year ended 31 March 2019 are set out in Note 28 to the Financial Statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 28 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2019.

SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 7 to the Financial Statement.

BUSINESS REVIEW

The business review and outlook of the Group for the year ended 31 March 2019 are set out in the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 March 2019 (2018: approximately HK$63.7 million).

ANNUAL GENERAL MEETING

The annual general meeting will be held on Monday, 2 September 2019. A notice convening the meeting will be published in the Company's website of www.bnd-strategic.com.hk and despatched to the Shareholders of the Company in the manner as required by the Listing Rules in due course.

Directors' Report

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 28 August 2019 to Monday, 2 September 2019, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on Monday, 2 September 2019, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 August 2019.

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 risk and uncertainties identified by the Group relating to our business:

We had a concentration of customers

During the years ended 31 March 2019 and 2018, a significant portion of the Group's revenue was derived from a limited number of customers. For each of the years ended 31 March 2019 and 2018, our largest customer accounted for approximately 41.2% and 47.4% of the Group's revenue, respectively, while our five largest customers in aggregate accounted to approximately 94.1% and 96.7% of the Group's revenue, respectively.

There is no assurance that we will be able to maintain or improve the relationship with our major customers. There is also no assurance that we will be able to diversify the composition of our customer base. If any of our major customers materially reduces, delays or terminates its projects with us, we may not be able to secure projects on similar terms in a timely manner from other customers. As a result, there may be a material and adverse effect on our business, financial condition, results of operations as well as prospect.

Our revenue was mostly derived from contracts which are non-recurring in nature and there is no guarantee that our customers will award new contracts to us in the future

For the years ended 31 March 2019 and 2018, we generally derived our revenue from contracts which are non-recurring in nature and we did not enter into long-term agreement with our customers. As the contracts awarded are on a project-by-project basis, our customers are under no obligation to award contracts to us. As such, there is no assurance that our existing customers will continue to engage us in their upcoming projects after the completion of the current contracts. The number and scale of projects and the amount of revenue we are able to derive therefrom may therefore vary significantly from period to period. If we cannot continue to maintain the amounts of contracts at a similar level or obtain new projects of similar or even larger contract sum, our business, financial conditions, results of operation as well as business prospects may be materially and adversely affected.

We may not be able to maintain or increase our tender success rate

During the years ended 31 March 2019 and 2018, our projects were generally obtained through tendering process. For each of the years ended 31 March 2019 and 2018, our tender success rate was approximately 21.4% and 35.7% respectively. There is no guarantee that we will receive tender invitation from our customers or our tenders will be selected by our customers. As such, there is no assurance that we will be able to maintain or increase our tender success rate in the future. In that case, we may have to adjust our pricing strategy or offer more favourable terms to our customers to increase the competitiveness of our tenders. Failure to maintain our success rate on project tendering and to adjust our costs accordingly may materially or adversely affect our profitability and results of operations.

KEY RISKS AND UNCERTAINTIES (continued)

We determine the tender price based on our estimated construction time and costs which may deviate from the actual time and costs and any inaccurate costs estimation and cost overrun may adversely affect our financial results

When preparing our tenders, we determine our tender price on a case-by-case basis by adopting a costs-plus pricing model. To estimate our costs of undertaking a project, we consider factors including (i) the nature, scope and complexity of the work involved; (ii) the project schedule; (iii) the availability of our manpower and resources; and (iv) the estimated material and subcontracting costs. There is no assurance that the actual time and costs would not exceed our estimation during the performance of our projects. The actual time and costs to complete our construction projects may vary substantially from our original estimates due to factors such as (i) shortage or costs escalation of materials or labour during the project period; (ii) unexpected technical problems or adverse weather condition; and (iii) failure of performance by our subcontractors that in turn forces us to incur additional costs in replacing the defaulting subcontractor or carrying out rectification works.

During the years ended 31 March 2019 and 2018, our revenue was generally derived from certified value of works under the contracts which were determined on a fixed-price basis upon the signing of the contract. If we cannot maintain our costs within our original estimations throughout the course of carrying out the contract, or pass on our customers any increases in costs, our business, financial condition and result of operation may be materially and adversely affected.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years, as set out on page 110 of this report, are extracted from this report and the prospectus of the Company dated 13 April 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2019 are set out in Note 14 to the Financial Statements.

SHARE CAPITAL

The Company's total issued share capital as at 31 March 2019 was 10,000 ordinary Shares of HK$0.01 per Share. As at the date of this annual report, the share capital of the Company was 620,000,000 ordinary Shares of HK$0.01 per Share.

Details of movements during the year ended 31 March 2019 in the share capital of the Company are set out in Note 21 to the Financial Statements.

DEBENTURES

The Company did not issue any debenture during the year ended 31 March 2019.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2019 are set out in the consolidated statement of changes in equity on page 59 of this annual report.

As at 31 March 2019, the Company has reserves amounted to approximately HK$146.7 million available for distribution (2018: approximately HK$112.9 million).

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2019, the Company's reserves available for distribution to the Shareholders are approximately HK$146.7 million (2018: approximately HK$112.9 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

DIRECTORS

The Directors who held office from the Listing Date to up to the date of this annual report are:

Executive Directors

Ms. Tang Wing Kwok *(Chairman)*
Mr. Lo Wing Hang *(Vice Chairman and Chief Executive Officer)*

Independent non-executive Directors

Mr. Yeung Tze Long
Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai)
Mr. Cheung Ting Kin

DIRECTORS' SERVICE CONTRACT

Each of the Directors has entered into a contract for appointment with the Company for a term of two years commencing from the Listing Date of the Company, unless terminated by not less than one month's notice in writing served by either party on the other.

Save as disclosed above, none of the Directors, including those to be re-elected at the forth coming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

MANAGEMENT CONTRACTS

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

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at the date of this annual report, the interest 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, notified to the Company and the Stock Exchange were as follow:

(i) Long position in the Shares

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested	Percentage of shareholding
Mr. Tang Wing Kwok (Note 1)	Interest in controlled corporation	465,000,000	75%
Mr. Lo Wing Hang (Note 2)	Interest in controlled corporation	465,000,000	75%

Notes:

1. These 465,000,000 Share are held by Sky Winner Holdings Limited. Mr. Tang Wing Kwok beneficially owns 69.48% of the entire issued share capital of Sky Winner Holdings Limited, which in turn beneficially owns 52.11% shareholding in the Company. Therefore, Mr. Tang Wing Kwok is deemed, or taken to be, interested in all our Shares held by Sky Winner Holdings Limited for the purpose of the SFO. Mr. Tang Wing Kwok is the chairman, an executive Director and the chairman of the Nomination Committee of the Company. Mr. Tang Wing Kwok is also a director of Sky Winner Holdings Limited.

2. These 465,000,000 Share are held by Sky Winner Holdings Limited. Mr. Lo Wing Hang beneficially owns 30.52% of the entire issued share capital of Sky Winner Holdings Limited, which in turn beneficially owns 22.89% shareholding in the Company. Therefore, Mr. Lo Wing Hang is deemed, or taken to be, interested in all our Shares held by Sky Winner Holdings Limited for the purpose of the SFO. Mr. Lo Wing Hang is the vice-chairman, the chief executive officer, an executive Director and a member of the remuneration committee of the Company. Mr. Lo Wing Hang is also a director of Sky Winner Holdings Limited.

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

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Tang Wing Kwok	Sky Winner Holdings Limited	Beneficial owner	6,948	69.48%
Mr. Lo Wing Hang	Sky Winner Holdings Limited	Beneficial owner	3,052	30.52%

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES (continued)

Substantial shareholders' interests and short positions in Shares and underlying Shares

As at the date of this annual report, 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 would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to the Section 336 of the SFO, or which would be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/interested in	Percentage of shareholding
Sky Winner Holdings Limited	Beneficial interest	465,000,000	75%
Ms. Lam Ah Yee (Note 1)	Spouse interest	465,000,000	75%
Ms. Chan Wai Ching Rebecca (Note 2)	Spouse interest	465,000,000	75%

Notes:

1. Ms. Lam Ah Yee is the spouse of Mr. Tang Wing Kwok. Accordingly, Ms. Lam Ah Yee is deemed, or taken to be interested in all 465,000,000 Shares in which Mr. Tang Wing Kwok is interested for the purpose of the SFO.

2. Ms. Chan Wai Ching Rebecca is the spouse of Mr. Lo Wing Hang. Accordingly, Ms. Chan Wai Ching Rebecca is deemed, or taken to be interested in all 465,000,000 Shares in which Mr. Lo Wing Hang is interested for the purpose of the SFO.

Save as disclosed above, as at the date of this annual report, the Directors were not aware of any person or corporation (other than the Directors and the chief executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executive's interest in securities" above and the paragraph headed "Share Option Scheme" below, at no time from the Listing Date to the date of this annual report 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, its holdings company, or/and any of its subsidiaries or fellow 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 by means of the acquisition of Shares in or debentures of the Company of any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended 31 March 2019, there were no connected transactions or continuing connected transactions of the Company as defined 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.

Save as disclosed under the "Balances with Related Parties" in Note 17 and the "Related Party Disclosures" in Note 25 to the Financial Statements, there were no transaction, arrangement or contract 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 of any entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 31 March 2019 or any time during the year ended 31 March 2019, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

Pursuant to articles of association of the Company, every Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has maintained appropriate directors' and officers' liability insurance in respect of legal actions against them arising out of corporate activities and such permitted indemnity provision for the benefit of the Directors currently in force.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2019, the aggregate purchase attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 13.8% and 45.6% (2018: approximately 24.5% and 45.1%) respectively of the Group's total purchases for the year ended 31 March 2019. Revenue attributable to the Group's largest customers and the five largest customers in aggregate accounted for approximately 41.2% and 94.1% (2018: approximately 47.4% and 96.7%) respectively of the Group's total revenue for the year ended 31 March 2019.

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued shares capital of the Company) had an interest in the Group's five largest suppliers or customers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

Employees

The Group considers its employees the key to sustainable business growth and also recognises its employees as its valuable assets. Further, in light of the shortage of skilled labour in the local construction industry, it is crucial to maintain a competitive remuneration package and fringe benefits for our potential and existing employees. In this regard, the Group provides comprehensive remuneration package includes salary, discretionary bonuses and other cash subsidies to attract, motivate and retain appropriate and suitable employees to serve the Group. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. The Group also provides on-the-job training and development opportunities to enhance its employees' career development and learning.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS (continued)

Customers

The Group are aware of the risk of customer concentration, and sought to reduce the reliance on major customer by undertaking more sizable projects for other customers. A summary of the customer concentration of the Group and the list of the Group's major customers were set out in the section headed "Business — Customer concentration" and "Business — Our major customers" of the Prospectus, respectively.

The Group believes that, we have maintained a close relationship with our major customers and It is also our priority to work with reputable customers, which in turn tend to undertake sizeable projects. Working with these customers can allow us to secure future business opportunities with them and bolster our job reference.

Besides that, the Group has no intention to limit ourselves to serve our major customers and, with our presence in the industry, the Group believes that we are able to extend our services to other customers.

As such, the Group is of the view that, despite the customer concentration, our business model is sustainable.

Suppliers and Sub-Contractors

The Group has developed stable and strong working relationships with suppliers and sub-contractors to meet the Group's customers' needs in an effective and efficient manner. The Group works closely with the suppliers and sub-contractors to make sure the tendering, procurement and sub-contracting are conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to them before the commencement of projects.

ENVIRONMENTAL POLICIES

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws of Hong Kong. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Waste Disposal (Charges for Disposal of Construction Waste) Regulation.

In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015 since November 2003 (for Ka Shun Civil Engineering Company Limited) and since September 2012 (for Ka Shun Contractors Limited), respectively. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal. During the year ended 31 March 2019, we did not incur any material costs on environmental compliance.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2019, as far as the Board and the management are aware, save as the non-compliance disclosed in the section headed "Business — Non-compliance" in the Prospectus, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available and with the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed minimum public float for its shares as required under the Listing Rules since the Listing Date to up to the date of this annual report.

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

The Shares have been listed on the Main Board of the Stock Exchange on the Listing Date. No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries since the Listing Date and up to the date of this annual report.

NON-COMPETITION UNDERTAKING

In order to avoid any possible competition between our Group and our controlling shareholders, each of Mr. Tang Wing Kwok, Mr. Lo Wing Hang and Sky Winner Holdings Limited as controlling shareholders entered into a deed of non-competition with our Company (for itself and as trustee for subsidiaries of our Group) on 4 April 2019. Pursuant to the deed of non-competition, each of the controlling shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, as long as the deed on non-competition remains effective, he/it shall not, and shall procure his or its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether on its own account or with each other or in conjunction with or on behalf of any person or company or otherwise, the development, participation, management and operation of any existing business which in competition with or likely to be in competition, whether directly or directly, with the existing business activity of any member of our Group or such other business activity our Group may engage from time to time in future.

The controlling shareholders have confirmed to the Company of their compliance with the deed of non-competition dated 4 April 2019 for disclosure in this annual report from 4 April 2019 to up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the deed of non-competition given by the controlling shareholders. The independent non-executive Directors were not aware of any non-compliance of the deed of non-competition from 4 April 2019 to up to the date of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 March 2019 and up to the date of this annual report, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business by the Group are set out in Notes 17 and 25 to the Financial Statements, and none of which constitutes a discloseable connected transaction as defined under the Listing rules.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2019, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries and associated companies apart from the corporate reorganisation in relation to the Listing as disclosed in the Prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 4 April 2019, the Company adopted a share option scheme (the "**Share Option Scheme**") with effect from 4 April 2019. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarized in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company, to attract and retain best available personnel, to provide additional incentive to employees (full time or part time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which option granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

The Share Option Scheme will remain in force for a period of ten years commencing on the date of the adoption (i.e. 4 April 2019) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless otherwise terminated earlier by the Shareholders in general meeting.

No share options had been granted under the Share Option Scheme since the adoption of the Scheme. During the period between the adoption date of the Share Option Scheme and the date of this annual report, no share option has been granted, exercised, cancelled or lapsed. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 62,000,000, representing 10% of the entire issued share capital of the Company.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements were entered into for the year ended 31 March 2019.

Directors' Report

BORROWINGS

There are no borrowings of the Group as at 31 March 2019 and 31 March 2018.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new Share on a pro-rata basis to the existing shareholders of the Company.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 24 to the Financial Statements.

REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in the note 12 to the Financial Statements.

The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments since the Listing Date and up to the date of this annual report.

EMOLUMENT POLICY

Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Scheme".

Details of the emoluments of the Directors and five highest paid individuals are set out in Note 12 to the Financial Statements respectively. Details of the remuneration of senior management by band are set out in Note 12 to the Financial Statements. Details of the retirement benefit scheme are set out in Note 24 to the Financial Statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 29 to 38 of this annual report.

DISCLOSURES UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

As at 31 March 2019, the Group had no circumstances which would give rise to a disclosure obligation under Rule 13.20 to 13.22 of the Listing Rules.

Directors' Report

AUDIT COMMITTEE

The Company established the audit committee on 4 April 2019 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the CG code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, namely, Mr. Yeung Tze Long, Mr. Yiu Chun Wing and Mr. Cheung Ting Kin. Mr. Yeung Tze Long currently serves as the Chairman of the audit committee.

The Audit Committee had reviewed, together with the management and the Company's auditors Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2019.

The Group's audited consolidated financial statements for the year ended 31 March 2019 have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

AUDITORS

Deloitte Touche Tohmatsu has acted as the auditors of the Group for the year ended 31 March 2019. The Financial Statements have been audited by Deloitte Touche Tohmatsu, who shall retire in the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for their re-appointment as auditors for the coming year will be proposed at the forthcoming annual general meeting. There is no change in auditors since the date of the Listing.

By order of the Board

TANG Wing Kwok
Chairman and Executive Director

Hong Kong, 20 June 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company is committed in achieving a high standard of corporate governance standard. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (the "**Shareholders**"), enhance its corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "**CG code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). As the Shares were not listed on the Main Board of the Stock Exchange until 30 April 2019, the CG Code provisions were not applicable to the Company before the Listing Date. To the best of the knowledge of the Board, the Company has complied with the CG code since the Listing Date and up to the date of this annual report. The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the code provisions from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code since the Listing Date and up to the date of this annual report.

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board consists of five Directors including Mr. Tang Wing Kwok (Chairman) and Mr. Lo Wing Hang (Vice Chairman and Chief executive officer) as the executive Directors and Mr. Yeung Tze Long, Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai) and Mr. Cheung Ting Kin as the independent non-executive Directors.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. Biographical details are set out in the section headed "Biographical details of Directors and Senior Management" on pages 12 to 16 of this annual report.

Save that Mr. Lo Wing Hang is the father of Mr. Lo Wai Man (a member of our senior management), there are no financial, business, family or other material relationship among members of the Board.

The Board meets regularly to discuss and formulate the overall strategy as well as operation and financial performance of the Group. The company secretary of the Company (the "**Company Secretary**") assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and regular board meetings should be held at least four times per year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications.

BOARD OF DIRECTORS (continued)

Board Composition (continued)

As the Company was listed on 30 April 2019, the Board did not hold Board meeting during the year ended 31 March 2019. After the Listing Date and up to the date of this annual report, the Board held one Board meeting to review the 2019 annual results of the Group, consider the payment of a final dividend and the forthcoming Annual General Meeting, reappoint external auditors and Board members.

The attendance record of each Director at the Board committee meetings held after the Listing Date and up to the date of this annual report is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Annual General Meeting	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Tang Wing Kwok	1/1	0/0	N/A	1/1	N/A
Mr. Lo Wing Hang	1/1	0/0	N/A	N/A	1/1
Mr. Yeung Tze Long	1/1	0/0	1/1	N/A	1/1
Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai)	1/1	0/0	1/1	1/1	1/1
Mr. Cheung Ting Kin	1/1	0/0	1/1	1/1	N/A

Since the Listing Date and up to the date of this annual report, the Board has at all times met the requirements of rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has three independent non-executive Directors and all of the three independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

The three independent non-executive Directors represent more than half of the Board, the proportion of which is higher than what is required by Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of shareholders.

Each of the executive and independent non-executive Directors has signed an appointment contract with the Company for a period of two years from the Listing Date and is subject to termination provisions therein and provisions on retirement by rotation and re-election of Directors as set out in the amended and restated memorandum and articles of association of the Company (the "**Restated Articles**").

The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

BOARD OF DIRECTORS (continued)

Responsibilities of the Directors

The Board takes the responsibility collectively to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") (together, the "**Board Committees**").

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations, and are invited to serve on the Audit Committee, the Nomination Committee and the Remuneration Committee.

The Board has delegated to the management, consisting of executive Directors along with other senior executives, with the responsibilities for implementing the strategy and direction adopted by the Board from time to time and conducting the day-to-day management and operations of the Group.

The Board has delegated to the Board Committees responsibilities as set out in their respective terms of references. Further details of the Board Committees are set out in the sections headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 4 April 2019 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talent, skill, regional and industry experience, background, gender and other qualities.

When identifying potential candidates to the Board of Directors, the Nomination Committee and the Board of Directors will, among others, (i) consider the current level of representation of women on the Board and the senior management when making recommendations for nominees as well as succession planning to the Board of Directors and senior management; (ii) consider the criteria that promotes diversity by references to the code of practices on employment published by the Equal Opportunities Commission from time to time; (iii) Communicate the Board Diversity Policy to the Nomination Committee and encourage a cooperative approach to ensure diversity on the Board.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy annually to ensure its continued effectiveness.

NOMINATION POLICY

The Board has adopted a nomination policy (the "**Nomination Policy**") on 4 April 2019 which sets out the criteria and process in the nomination and appointment of directors of the Company, aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and to ensure the Board's continuity and appropriate leadership. The Nomination Committee shall identify candidates who are qualified/suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The selection of candidates will be based on a range of selection criteria as set out in the Nomination Policy, including but not limited to, character and integrity, qualification, potential contributions the candidate can bring to the Board in terms of qualifications, skill, experience, independence and gender diversity, the candidate's willingness and ability to devote adequate time to discharge duties as a member of the Board.

For the appointment of directors, the Nomination Committee will first identify individual(s) suitably qualified to become Board members and assesses the independence of the proposed independent non-executive director(s). Then, the Nomination Committee will make recommendation to the Board for the Board to consider, having regard to the Board Diversity Policy and the Nomination Policy. The Board will confirm the appointment of the suitable candidate or recommend the candidate to stand for election at a general meeting of the Company. The candidate(s) who is/are appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by shareholders of the Company at the next annual general meeting after initial appointment in accordance with the Restated Articles.

For the re-appointment of directors, the Nomination Committee will also consider the retiring directors based on the Board Diversity Policy and the Nomination Policy, and assess their independence before the Nomination Committee makes recommendation to the Board to consider. After the Board considers each retiring director, the Board will recommend the suitable retiring director(s) to stand for re-election at the annual general meeting in accordance with the Restated Articles. The Shareholders will approve the re-election of directors at the annual general meeting.

The Nomination Committee shall review the structure, size, composition (including skills, knowledge, experience and length of service) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

Corporate Governance Report

DIVIDEND POLICY

The Company has set up a dividend policy (the "**Dividend Policy**") on 4 April 2019 with an aim to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

(a) the Company's operating results, actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(f) the Group's liquidity position;

(g) general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factors that the Board may deem appropriate and relevant.

The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rules and regulations and the Restated Articles. The declaration and payment of future dividend under the Dividend Policy are subject to the Board's determination that the same would be in the best interests of the Group and the Shareholders of the Company as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 4 April 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to, among other things, (i) make recommendations to the Board on the appointment, reappointment and removal of external auditors; (ii) review and monitor the external auditors' independence and objectively; (iii) review the effectiveness of the Company's internal audit activities, internal controls and risk management systems; (iv) develop and implement policy on engaging external auditor to supply non-audit services, and to review and monitor the extent of the non-audit works undertaken by external auditors; and (v) monitor the integrity of the financial statements and the annual report and accounts and half-year report and to review significant financial reporting judgments contained in them.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yeung Tze Long, Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai) and Mr. Cheung Ting Kin. Mr. Yeung Tze Long currently serves as the chairman of the Audit Committee.

During the year ended 31 March 2019, the Audit Committee has not held any meetings as the Company was listed on 30 April 2019. Subsequent to the Listing Date and up to the date of this annual report, the Audit Committee has held one meeting and performed the following works:

(a) reviewed the Group's annual audited financial statements for the year ended 31 March 2019;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the external auditors of the Group, and the terms of engagement.

The Company's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee.

There had been no disagreement between the Board and the Audit Committee.

BOARD COMMITTEES (continued)

Remuneration Committee

The Company established the Remuneration Committee on 4 April 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to, among other things, (i) make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) make recommendation to the Board on the remuneration of independent non-executive Directors; (iii) review and make recommendations to our Board on other remuneration-related matters, including benefits-in-kinds and their compensation payable to our Directors and senior management; (iv) review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration; and (v) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries.

The Remuneration Committee consists of three members, namely Mr. Lo Wing Hang, Mr. Yeung Tze Long and Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai). Mr. Yeung Tze Long currently serves as the chairman of the Remuneration Committee.

The remuneration of the Directors and senior management is determined with reference to the responsibilities, workload, the time devoted and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his/her own remuneration.

During the year ended 31 March 2019, the Remuneration Committee has not held any meetings as the Company was listed on 30 April 2019. Subsequent to the Listing Date and up to the date of this annual report, the Remuneration Committee has held one meeting for reviewing the remuneration packages of the executive Directors and independent non-executive Directors and the performance of them since the Listing of the Company.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 March 2019 are as follows:

	Number of employee(s)
Not exceeding HKD1,000,000	2
HKD1,000,001 to HKD2,000,000	1

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in note 12 to the consolidated financial statements

BOARD COMMITTEES (continued)

Nomination Committee

The Company established the Nomination Committee on 4 April 2019 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to, among other things, (i) review the structure, size, composition and diversity of our Board on a regular basis; (ii) identify individual suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; (iv) make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) make recommendations to our Board regarding candidates to fill vacancies on our Board and/or senior management.

The Nomination Committee consists of three members, namely Mr. Tang Wing Kwok, Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai) and Mr. Cheung Ting Kin. Mr. Tang Wing Kwok currently serves as the chairman of the Nomination Committee.

During the year ended 31 March 2019, the Nomination Committee has not held any meetings as the Company was listed on 30 April 2019. Subsequent to the Listing Date and up to the date of this annual report, the Nomination Committee has held one meeting for reviewing the independence of the independent non-executive Directors, considering the qualifications of the retiring directors standing for election at the forthcoming annual general meeting of the Company, reviewing the structure, size, and composition of the Board and reviewing the Board Diversity Policy and the Nomination Policy.

The Nomination Committee considered that the non-executive directors are independent and the aforesaid policies have been maintained up to the date of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

As at the date of this annual report, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

DIRECTORS' AND AUDITORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2019 in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainty that may cost significant doubt upon the Group's ability to continue as a going concern.

The statements of the independent auditor of the Group about their reporting responsibilities on the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" on pages 51 to 56 of this annual report.

EXTERNAL AUDITOR'S REMUNERATION

For the year ended 31 March 2019, the remunerations paid or payable to the external auditors, Deloitte Touche Tohmatsu in respect of its audit services are approximately HK$5.55 million. There is no remuneration for non-audit services. The audit services of approximately HK$700,000 and HK$4.85 million being the annual audit fee for the year ended 31 March 2019 and the fee for the audit of the consolidated financial statements of the Group for the three years ended 31 March 2016, 2017 and 2018 and seven months ended 31 October 2018 in connection with the Listing of the Company respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the Shareholders' interest and conducts a review on an ongoing basis. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board conducted review of the effectiveness of the risk management and internal control systems of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee.

The Group currently has no internal audit function and the Board reviewed that it is more cost effective to engage an external independent consultant instead of recruiting a team of internal audit staff to perform such annual review function. During the year ended 31 March 2019, Deloitte Consulting Limited (the "**Consultant**") was engaged to review the effectiveness of the risk management and internal control system. The Consultant worked closely with the Group to identify risk components and risk owners in different aspects through interviews with and workshops provided to the Group's management. Also, the Consultant assisted the Group to evaluate the adequacy of the existing mitigation plans. In addition, an independent review was conducted by the Consultant under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework ("**COSO**") to identify weaknesses and enhance the effectiveness and efficiency of the internal control system of the Group. Last but not least, findings and recommendations resulting from the review were reported to and discussed with the Audit Committee and the Board, and the Consultant concluded that no significant area of concern that may affect the financial, operational, compliance control and risk management of the Group has been identified.

The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk managements and internal control systems were in place and effective.

COMPANY SECRETARY

The Company has appointed Ms. Li Yuen Shan, who is an employee of the Company, as its company secretary. Ms. Li has confirmed that for the year ended 31 March 2019, she has taken no less than 15 hours of relevant professional training. The biography of Ms. Li is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

INSIDE INFORMATION POLICY

The Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and potential investors is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company has adopted the shareholders' communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and potential investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website of www.bnd-strategic.com.hk; where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information of the Group including annual and interim reports, announcements and other corporate communications which will be sent to Shareholders and/or published are updated on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website in a timely fashion.

The forthcoming annual general meeting of the Company will be held on Monday, 2 September 2019. The notice of the annual general meeting, setting out details of each proposed resolutions, voting procedures and other relevant information, will be sent to shareholders at least 21 days before the annual general meeting.

SHAREHOLDERS' RIGHTS

Pursuant to article 64 of the Restated Articles, an extraordinary general meeting shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two 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.

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

ENQUIRIES TO THE BOARD

Shareholders may send their enquiries or requests to the Board through the Company's principal place of business in Hong Kong at Units 2803–2803A, Asia Trade Centre, No. 79 Lei Muk Road, Kwai Chung, New Territories (email: info@bnd-strategic.com.hk).

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents since the Listing Date and up to the date of this annual report. The Restated Articles is available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

INTRODUCTION

B & D Strategic Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is a construction contractor principally engaged in providing (i) alteration and addition works; and (ii) civil engineering works, solely in Hong Kong.

The Group strives to operate and develop its business in a sustainable manner with the aims to reduce impact to the environment resulted from its construction works and create values to the community, its people and other stakeholders. With the above objective in mind, the Group established policies in various aspects including, but not limited to, environment, human resources, occupational health and safety and quality control, to govern the required operational standards and to ensure compliance with all relevant laws and regulations. The policies will be reviewed and updated annually to cope with any changes in technology, law and regulation and politics.

This is the first Environmental, Social and Governance Report (the "**ESG Report**") of the Group, which demonstrates to both internal and external stakeholders its efforts on sustainability developments. The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange. The ESG Report discloses the Group's performance and initiatives implemented regarding environmental, social and governance ("**ESG**") issues and relevant key performance indicators ("**KPIs**") for the period from 1 April 2018 to 31 March 2019. The reporting scope covers its business operation in Ka Construction Company Limited, Ka Shun Civil Engineering Company Limited and Ka Shun Contractors Limited which are located in Hong Kong.

Stakeholder Engagement

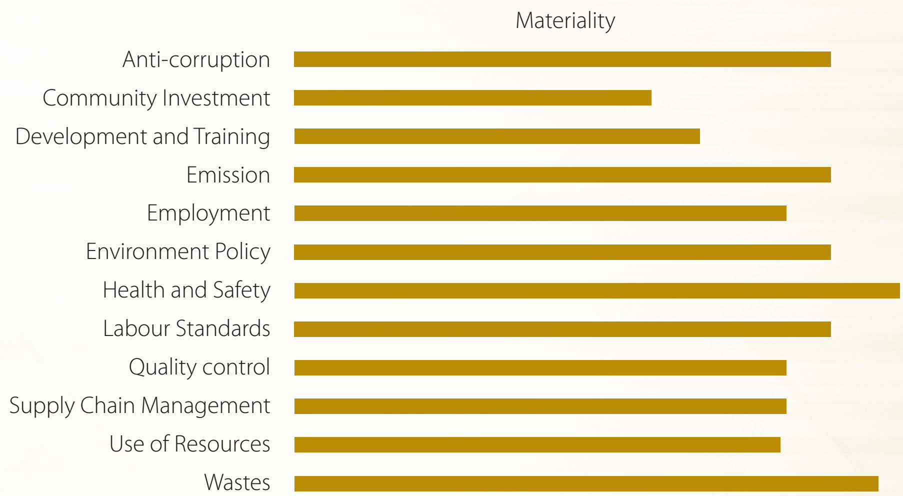
The Group communicates to stakeholders continuously to understand stakeholders' expectations, interest and information needs, in assessing the materiality on each aspect of the ESG issues as listed out in the Guide. Below sets forth the channels used for communication with respective stakeholders.

Group	Key Stakeholders	Engagement Channels
Funding and capital	• Investors • Shareholders • Lenders	• Annual general meetings • Annual and interim reports • Announcements and circulars • Corporate website
License for operation	• Government departments • Regulators	• Application procedures • Working meetings • Written responses
Our services	• Employers • Main contractors	• Customer satisfaction surveys • Project meetings and engagements
Building materials, services, equipment	• Suppliers • Subcontractors	• Project meetings and engagements • Supplier performance evaluations • Site inspection
Operate our business	• Employees	• Annual appraisal • Employee feedback channels • Management meetings

Materiality Assessment

The Group undertakes materiality assessment both internally and externally. An internal materiality assessment is performed by the management of the Group to assess the relevance of each ESG components and KPIs to our business and filter out topics that are obviously not relevant or immaterial to the Group. With the shortlisted scope, the Group then conducts external materiality assessment through multiple discussions and communications with our key stakeholders identified in the "Stakeholder Engagement" section.

The Group weights the opinions and perspectives obtained both internally and externally in arriving our final list of material ESG issues. The result from the materiality assessment is presented below.



Feedback

We value your opinion and feedback on our ESG report, and we would like to hear from you on how we could further improve our performance. Readers are welcome to share valuable views and opinion with the Group at info@bnd-strategic.com.hk.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION

The Group is committed to continually improve its environmental performance and, ultimately, to minimise or even prevent any environmental impacts of its operations, activities, products, and services. The Group identifies materials, processes, products and wastes that cause or may cause pollution, and implements measures to avoid, reduce or control pollution where technically and economically viable. In order to achieve this objective, the Group has established an integrated management system which includes measures and work procedures governing the standard of works of our employees and subcontractors in environment aspect. The environmental management system in two of our subsidiaries have been certified to be in accordance with the requirements of the ISO 14001 standards since 2003 and 2012 respectively.

Our construction works are subject to certain environment requirements pursuant to the laws in Hong Kong. Certain laws and regulations that have a significant impact on the Group includes Air Pollution Control Ordinance (Chapter 311R of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong). During the year ended 31 March 2019, we did not record any non-compliance that resulted in prosecution, conviction or penalty being brought against us in relation to environment aspects. The potential impacts to the Group and measures to ensure compliance with such laws and regulations will be discussed in turn below.

Emissions

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants. The Air Pollution Control Ordinance provides that the owner of any premises, which includes a contractor who has possession of a site for the purpose of construction work shall use best practicable means for preventing the emission of noxious or offensive emissions from such premises.

Private cars, lorry cranes and non-road mobile machineries (including hydraulic excavators and breakers) are the major combustion sources which generate air pollutants resulted from our daily transportation, waste disposal cycles and construction works. The Group believes that maintaining good conditions of vehicles and machineries are important to the efficient performance of works, workplace safety and environment protection. As such, the Group regularly hires third party companies to carry out inspection, repair and maintenance works to maintain its vehicles and machineries in good condition.

Starting from 1 June 2015, a subsidiary regulation, Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation ("**NRMM Regulation**"), came into effect to introduce regulatory control on the emission of non-road mobile machinery ("**NRMMs**"). The NRMMs are required to comply with the prescribed emission standards. Furthermore, starting from 1 December 2015, all regulated machines to be used in specified activities and locations in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department ("**EPD**"). This regulation is certainly to have a significant impact on the Group as we possess our own machinery for performing different types of civil engineering works. The Group strives to abreast the emission standard, and 12 of our owned regulated machines are all either exempted or approved with label in EPD's prescribed format. In the coming year, we planned to acquire environmental friendly machineries for replacement which meet the NRMM Regulation's standard to minimise the adverse impact to the environment.

Environmental, Social and Governance Report

The Group treasures all kinds of resources, including energy and water. By minimising the use, recycling and fully utilising of resources to avoid depletion of resources, we strive to reduce carbon footprint to address climate change.

Below sets out the KPIs for air emission and Greenhouse Gas ("**GHG**") emissions in CO_2e for the year ended 31 March 2019.

Air Emission Data		Unit	2019
Vehicle Emissions			
NOx Emissions	Note 1	g	–
SOx Emissions		g	688.01
PM Emissions	Note 1	g	–

GHG Emission Data		Unit	2019
Scope 1 — Direct Emissions			
Mobile combustion sources		tonnes	168.89
Scope 2 — "Energy Indirect" Emissions			
Electricity purchased	Note 2	tonnes	89.36
Scope 3 — Other Indirect Emissions			
Paper waste disposed at landfills		tonnes	13.12
Electricity used for processing fresh water and sewage by government department	Note 3	tonnes	1.00
Business air travel by employees		tonnes	19.81

Notes:

1. Emission data for NOx and PM is not available as the Group had not started to collect data for kilometers travelled by vehicles.

2. For electricity purchased from CLP, the emission factor (0.51 kg/kWh) is available from CLP's Sustainability Report 2018.

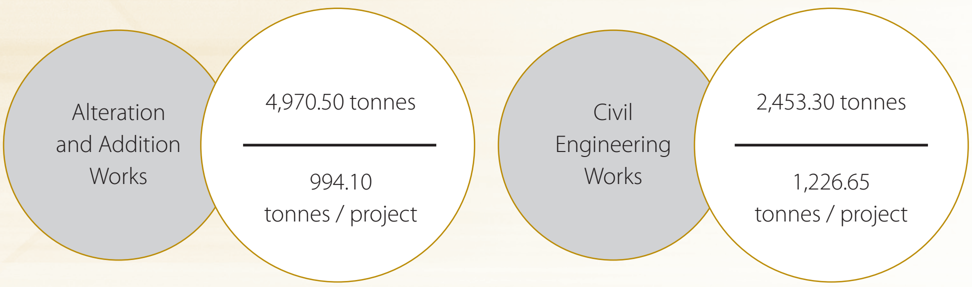
3. For water supplied from Water Supplies Department, the unit electricity consumption (0.577 kg/m^3) is available from Water Supplies Department's Annual Report 2017/18.

Waste

The Waste Disposal Ordinance is the principal legislation in Hong Kong which controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. A person shall not use any land or premises for the disposal of waste unless he has a licence from the Director of the EPD. The Group understands that disposing waste in random location is an offence and may cause inconvenience and danger to the community. The Group is committed to ensure that wastes are legally disposed to proper reception facilities or landfill. As such, the Group, when acts as a main contractor, will always obtain waste disposal permit from EPD upon contract awarded.

Concrete, mud, rebar and wood are the major type of waste resulting from our site formation, demolition, foundation and superstructure works ("**Construction Works**"). In order to reduce the waste generated, the Group tries to recycle wastes generated from our Construction Works. For example, sea mud obtained will be reused for back filling. Any excess will be utilised across construction sites or transported to public fill reception facilities. To facilitate a proper disposal management, wastes sorting is carried out on site to separate re-usable and recyclable materials, hazardous waste and non-hazardous wastes. External disposal team will then collect the wastes from time to time and deliver them to relevant reception facilities or landfill. During the year ended 31 March 2019, approximately 7,423.80 tonnes of non-hazardous wastes and nil hazardous wastes were generated from our Construction Works.

Non-Hazardous Waste	Unit	2019
Landfill	tonnes	1,908.80
Public fill reception facilities	tonnes	4,620.10
Sorting facilities	tonnes	894.90



Use of Resources

The Group is aware of the challenge that Hong Kong faces against climate change and understands that saving resources is one critical mean to reduce carbon footprint. The major direct energy consumption sources from the Construction works include use of electric equipment and lighting. The Group makes great effort to improve and develop the way to build in a resource efficient manner. The design and development team carefully reviews the specified requirements from our clients, and accurately measures and estimates the inputs and design, and continuously redesign, the working process to seek resource saving and synergy wherever viable.

On the other hand, the Group regularly investigates water leakage and employs high pressure and low volume sprayer for cleaning sites and machines so as to avoid unnecessary water consumption. During the year ended 31 March 2019, the Group has no issue in sourcing water that is fit for purpose. Moreover, in connection to effluent discharge, the Group has obtained licences from EPD to discharge industrial trade effluent from construction sites as required under the Water Pollution Control Ordinance.

In additions, the Group advocates several resource saving initiatives in its daily operation and construction sites as below:

- Employ energy-efficient electric appliance and equipment.
- Encourage double-sided printing.
- Encourage electronic documentation and communication.
- Maintain air-conditioning at an average temperature of 25 degrees Celsius.
- Switch off lights, air-conditioners and computers when they are not in use.

Below sets out the KPIs for energy and water usage for the year ended 31 March 2019.

(The disclosure for the use of packaging materials is not relevant to the Group's businesses.)

Energy Consumption	Unit	2019
Office and warehouse	kWh	24,741.00
Projects	kWh	150,483.00

Water Consumption	Unit	2019
Office and warehouse	m^3	74.00
Projects	m^3	1,158.00

Electricity

37,620.75
kWh / project

Water

579.00
m^3 / project

The Environment and Natural Resources

Save as the above sections, the Group's business activities, including dredging, breaking and piling, will also create significant impact to the environment regarding dust pollution and noise pollution. In relation to these pollutions, the Group adopts numerous measures to minimise such impact including but not limited to the following:

- Enclose dust screens or sheeting to the structure being demolished.
- Install hoarding with acceptable height.
- Install extra acoustic enclosures for high noise intensity construction processes.
- Spray water on working surface.
- Spray water to dusty materials prior to any loading, unloading or transfer operation and covered entirely by impervious sheeting.
- Wash to remove any dusty materials from vehicles before leaving a construction site.

In addition, to comply with relevant regulations, the Group has given notices to the public officer about Construction works proposed to be carried out under Air Pollution Control (Construction Dust) Regulation. The Group has obtained construction noise permits in advance for construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, from the EPD.

SOCIAL — EMPLOYMENT AND LABOUR PRACTICES

Employment

The group has 89 full-time employees handling professional and technical works. The Group believes its employees are valuable and vital assets to its business. The Group also believes that linking business objectives to the Human Resources ("**HR**") system is a key to success, therefore clear HR policies and guideline must be established and delivered to its employees effectively. The Group also strives to maintain a fair and safe working environment to attract and retain talents.

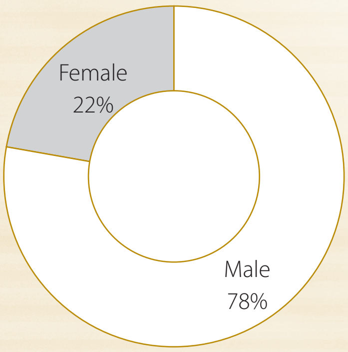
The Group respects the fundamental rights of its employees and is committed to provide a fair and equal working environment to its workforce. The HR management is responsible to ensure HR policies and procedures established, covering compensation, dismissal, recruitment, promotion, working hours and rest period, are in compliance with the relevant labour laws, including but not limited to Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employment Agency Regulations (Chapter 57A of the Laws of Hong Kong), Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) and Employment of Young Persons (Industry) Regulations (Chapter 57C of the Laws of Hong Kong). The Group strictly follows the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), and HR management is responsible to ensure that the personal data must be collected only in a lawful and fair way and all the collected data are properly kept and safeguard from unauthorised or accidental access. Employment checklist is established to document the procedures and required documents to be collected during hiring and termination process. To ensure employees aware of the details and amendment of the HR policies, the HR management delivers and communicates the HR policies, including organisational structure, working hour, leave entitlement, complaint procedure, safety guide and reward and compensation system, to employees through the circulation of employee handbook upon commencement of employment and at any time during employment period when there is an updated.

Comprehensive recruitment and promotion policies are established to ensure processes are carried out in a fair and open manner. To promote equality and anti-discrimination, which stated clearly in Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), the Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong) and the Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong), standard interview and evaluation criteria are established, also promotion and salary increment are benchmarked against individuals' performance. The Group committed that employees are only recognised and rewarded by their contribution, work performance and skills, and will not be affected by any grounds that are irrelevant, such as age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and other factors. Voluntary exit interview before resignation is encouraged by the Group which serves as a feedback channel to detect vulnerability in HR system and daily operations.

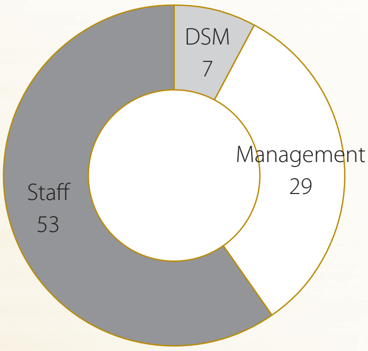
Environmental, Social and Governance Report

As at 31 March 2019, the Group has employed 89 full-time employees. The following charts set out breakdowns of the Group's employees by gender and employment category.

Workforce by Gender



Workforce by Employment Category



Health and Safety

The Group places emphasis on occupational health and work safety and provides safety trainings to our staffs covering various topics. The Group does its utmost effort to ensure that it has complied with the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and other health and safety related laws and regulations. Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. As such, the Group has established a safety management system which follows the OHSAS 18001:2007 standards in order to provide our employees and our subcontractors' employees with a safe and healthy working environment.

In practice, the Group prepares a safety plan for each project, which is conveyed to its employees and subcontractors before commencement of works. The purpose of the safety plan is to assess and identify risks associated with the works and environments of each project; and formulate appropriate measures and works procedures for implementation. In addition, the Group engages registered safety auditors for the purpose of conducting safety audits on our safety management system on a semi-annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations. Our Directors confirmed that no material deficiency in relation to workplace safety has been identified by the safety auditors and our safety management system had continually fulfilled the relevant safety regulations in all material respects.

During the year ended 31 March 2019, unfortunately, the Group recorded 6 work-related injuries and a total of 205 lost days. Save as those disclosed in the sections headed "Business — Non-compliance" and "Business — Litigations and potential claims" of the Prospectus, it is confirmed that there was no non-compliance with laws and regulations that had a significant impact on the Group relating to health and safety.

Development and Training

To improve its employees' technical competence and work efficiency, the Group provides various training to our employees. Training policy is developed to govern the contents of training to be provided. The Group provides various training to different working levels, including internal trainings organise by the HR department and external trainings arrange by external professional parties. Besides, to avoid accident cause by unprofessional practice or improper behaviour of subcontractor, safety trainings are also provided to sub-contractor. To assess the effectiveness of the training programme, the Group regularly review it and apply necessary modification to the programme to meet the Group's development goal. Seasonal training plan is also maintained to ensure that trainings are deployed regularly and effectively.

During the year ended 31 March 2019, the Group has provided a total of 21 training courses to its employees in different aspects, for instance, personal safety, site safety, machine operation, work at height etc. The average training hours is 11.44 hours per employee.

Labour Standards

The Group strictly complies with the policies and guidelines in the employment laws of Hong Kong, including but not limited to Employment Ordinance, Employment Agency Regulations, Employment of Children Regulations and Employment of Young Persons (Industry) Regulations. The Group prohibits child, forced or compulsory labour in any of its operations. Adequate background check is performed on candidates and copy of identification card must be obtained to verify the age of the job applicant.

SOCIAL — OPERATING PRACTICES

Supply Chain Management

The Group realises the supply chain management is playing an important role in the development of its business. A sustainable supply chain requires close alliance between customers' demands and suppliers' capability. In order to demonstrate the Group's ability to consistently provide services to meet client and applicable regulatory/statutory requirements and address client satisfaction timely, the Group has developed and implemented an Integrated Management System complies with the international standard ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007.

Before beginning sub-contractor/supplier selection, clear and accurate description of the required material, product, or service being acquired should be obtained to ensure a fair and equitable comparison of price and/or cost can be made. The new sub-contractors/suppliers are evaluated regarding their quality and process capability. Records of the sub-contractor/supplier evaluation are maintained. The Group also established approved sub-contractor/supplier register and purchase orders must only be placed with sub-contractors/suppliers that are on the list. Furthermore, a declaration of interest form shall be signed by employees when recommending new vendors, committee members should also declare their interests, if necessary. The Group performs periodic evaluation of the vendor's performance regarding prices performance, timeliness of delivery, order fulfilment or product/services quality. Poor performance identified will be requested for corrective actions. If no improvements have been made in the future of 12 months, the vendor will be delisted. An approved vendor is valid for a maximum of 3 years before having to re- compete, if the vendor remains in good standing. The supply chain network of the Group involves 357 suppliers which are located in Hong Kong and has a significant impact on our sustainability performance.

Product Responsibility

The Group's achievement in product quality is recognisable. The Group has been registered under Buildings Department as Registered General Building Contractor and Registered Specialist Contractor in the Site Formation Works Category, as Works Branch of the Development Bureau's Approved Contractor for Public Works in Roads and Drainage Category — Group B (Probationary) and Approved Contractor for Public Works in Site Formation Category — Group B (Probationary), and registered as Registered Subcontractor in the Construction Industry Council's Subcontractor Registration Scheme.

In order to ensure compliance with our customers' specifications and requirements, project quality plan has been established to monitor and verify the project processes. The quality manager will carry out regular planned audits of the project every six months, in accordance with the audit schedule. The audit program will examine the following areas:

- Matters arising from the previous audit, including discharge of non-conformities.
- Quality system documentation.
- Communications, filing and document control.
- Design control (including input, output, change and verification procedures).
- Construction and installation control (including inspection, testing and material inventory control procedures).
- Feedback, complaints and corrective action.
- Support services including software, purchasing, deliverables, and information systems.
- Staff training including understanding of the project quality plan.
- The use of statistical analysis.

In addition, special audits will be carried out by the quality manager to investigate specific problem areas. External audits may also be carried out by the HKQAA or other appointed representative.

Our quality management systems are set up in conformity with the requirements of the ISO 9001:2015 Quality Management System Accreditation, ISO 14001:2015 Environmental Management System Accreditation and OHSAS 18001:2007 Occupational Health and Safety Management System Accreditation under Hong Kong Quality Assurance Authority.

Anti-corruptions

The Group requests all staff to maintain a high-level ethical practice. Any form of corruption, bribes and fraud is strictly prohibited by the Group. The Group has stated in its employee handbook and requires the staff to declare gifts received from clients, and to comply with applicable requirements relating to the privacy and the confidentiality of information received or provided in the course of business. Declaration of interest form has to be signed when any employee introduce new vendors to the Group.

Whistleblowing policy has been established to allow its employee to report any misconduct or malpractice events observed. The employee or those who deal with the Group is welcomed to raise concerns to the Audit Committee, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group.

During the year ended 31 March 2019, the Group was not aware of any case of non-compliance with the laws and regulations that have a significant impact on the Group in relation to corruption, bribes or fraud.

SOCIAL — COMMUNITY

Community Investment

The Group is always aware of the needs of the community and is ready to try its best to contribute to the community by participating and sponsoring community activities.

In addition, the Group encourages and supports the staff to participate in the volunteer services at leisure times. Meanwhile, the Group is ready to work with other business stakeholders which are committed to be a good corporate citizen by contributing to the community through charity and social services.

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF
B & D STRATEGIC HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of B & D Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 109, which comprise the consolidated statement of financial position of the Group as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated financial position and the involvement of subjective judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period. As at 31 March 2019, the Group's trade receivables amounting to HK$20,551,000 and contract assets amounting to HK$70,695,000 which represented approximately 10% and 36% of total assets of the Group, respectively. As explained in note 30 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "*Financial Instruments*" ("HKFRS 9") in accordance with the transitional provisions of HKFRS 9 and impairment for trade receivables and contract assets as at 1 April 2018 was considered insignificant.	Our procedures in relation to impairment assessment of trade receivables and contract assets included: • Understanding key controls on how the management determines internal credit rating and estimates the loss allowance for trade receivables and contract assets; • Testing the accuracy of the lifetime ECL adjustment made by the Group as at 1 April 2018 on initial adoption of HKFRS 9;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets (continued)	
As disclosed in note 30 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets individually, after considering internal credit ratings of trade debtors, which are determined by the management of the Group with reference to ageing, repayment history and/or past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. The loss allowance amount of the credit impaired trade receivables and contract assets, if any, is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 30 to the consolidated financial statements, impairment of trade receivables and contract assets was considered insignificant for the year and for the Group's lifetime ECL on trade receivables and contract assets as at 31 March 2019.	• Evaluating the reasonableness of the credit loss allowance on trade receivables and contract assets as at 1 April 2018 and 31 March 2019 with reference to internal credit ratings, settlement records, historical default rates over the expected life of the debtors and forward-looking information; and • Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in notes 5, 15, 16 and 30 to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

- 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.

- 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 those charged with governance 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.

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

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

The engagement partner on the audit resulting in the independent auditor's report is K. W. Yim.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 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	6, 7	**300,926**	233,723
Direct costs		**(230,707)**	(181,563)
Gross profit		**70,219**	52,160
Other income, other gains or losses	8	**125**	17,063
Listing expenses		**(17,518)**	(1,500)
Administrative expenses		**(9,699)**	(10,134)
Profit before tax	10	**43,127**	57,589
Income tax expense	9	**(9,733)**	(7,316)
Profit and total comprehensive income for the year		**33,394**	50,273
Earnings per share			
— Basic (HK cents)	13	**7.18**	10.81

Consolidated Statement of Financial Position

AT 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current asset			
Property, plant and equipment	14	**4,063**	5,798
		4,063	5,798
Current assets			
Trade and other receivables, deposits and prepayments	15	**34,247**	51,760
Contract assets	16	**76,095**	80,887
Pledged bank deposits	18	**21,263**	6,663
Bank balances and cash	18	**61,121**	44,719
		192,726	184,029
Current liabilities			
Trade and other payables	19	**43,095**	69,649
Contract liabilities	16	**3,028**	–
Taxation liabilities		**3,559**	6,369
		49,682	76,018
Net current assets		**143,044**	108,011
Net assets		**147,107**	113,809
Capital and reserves			
Share capital	21	**–***	390
Reserves		**146,702**	112,918
Equity attributable to owners of the Company		**146,702**	113,308
Non-current liability			
Deferred tax liabilities	20	**405**	501
Total equity		**147,107**	113,809

* Amount less than HK$1,000

The consolidated financial statements on pages 57 to 109 were approved and authorised for issue by the Board of Directors on 20 June 2019 and are signed on its behalf by:

Tang Wing Kwok
DIRECTOR

Lo Wing Hang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2017	390	–	16,875	111,154	128,419
Profit and total comprehensive income for the year	–	–	–	50,273	50,273
Deemed distribution (Note 22)	–	–	–	(1,689)	(1,689)
Dividends recognised as distribution (Note 11)	–	–	–	(63,695)	(63,695)
Balance at 31 March 2018	390	–	16,875	96,043	113,308
Profit and total comprehensive income for the year	–	–	–	33,394	33,394
Issue of ordinary share of the Company on date of incorporation (Note 21)	–*	–	–	–	–
Issue of ordinary shares of the Company for the Reorganisation (Notes 2 and 21)	(390)	2,326	(1,936)	–	–
Balance at 31 March 2019	**–***	**2,326**	**14,939**	**129,437**	**146,702**

* Amounts less than HK$1,000

Note: Other reserve mainly represents (i) the excess of the assets acquired and liabilities recognised over the cash consideration arising from acquisitions of 100% of shareholding of Ka Shun Civil Engineering Company Limited ("Ka Shun Civil Engineering") and 60% of shareholding of Ka Shun Contractors Limited ("Ka Shun Contractors") on 27 October 2015; (ii) the differences between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid arising from acquisitions of a total of additional 49% of shareholding of Ka Construction Company Limited ("Ka Construction") and additional 40% of shareholding of Ka Shun Contractors during the years ended 31 March 2016 and 2017; and (iii) the difference between the share capital and share premium of the Company issued, and the share capital of Joy Goal Limited ("Joy Goal") exchanged pursuant to the Reorganisation (as defined and detailed in notes 2 and 21).

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**43,127**	57,589
Adjustments for:		
Depreciation of property, plant and equipment	**2,612**	2,830
(Gain) loss on disposal/write-off of property, plant and equipment, net	**(10)**	208
Gain on disposal of a subsidiary	**–**	(17,202)
Interest income	**(41)**	(49)
Operating cash flows before movements in working capital	**45,688**	43,376
Decrease (increase) in trade and other receivables, deposits, prepayments	**21,897**	(36,550)
Decrease (increase) in contract assets	**4,792**	(24,832)
(Decrease) increase in trade and other payables	**(27,696)**	30,612
Increase in contract liabilities	**3,028**	–
Cash generated from operations	**47,709**	12,606
Hong Kong Profits Tax paid	**(12,639)**	(12,337)
NET CASH FROM OPERATING ACTIVITIES	**35,070**	269
INVESTING ACTIVITIES		
Repayments from related parties	**–**	3,314
Advance to a related party	**4,510**	–
Placement of pledged bank deposits	**(14,600)**	(6,275)
Withdrawal of a pledged bank balance	**–**	12,000
Proceeds from disposal of property, plant and equipment	**69**	–
Purchases of property, plant and equipment	**(936)**	(4,392)
Disposal of a subsidiary (Note 22)	**–**	(82)
Interest received	**41**	49
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(15,426)**	4,614

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Issue costs paid	**(3,242)**	–
Dividends paid	**–**	(53,000)
NET CASH USED IN FINANCING ACTIVITIES	**(3,242)**	(53,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**16,402**	(48,117)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**44,719**	92,836
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Represented by bank balances and cash	**61,121**	44,719

1. GENERAL INFORMATION

B & D Strategic Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 April 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effective from 30 April 2019. Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Room 2803–2803A, Asia Trade Centre, 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The businesses of the Company and its subsidiaries (collectively referred to as the "Group") are mainly conducted through three major operating subsidiaries, namely, (i) Ka Shun Civil Engineering, (ii) Ka Shun Contractors; and (iii) Ka Construction; and are principally engaged in provision of services on alteration and addition works (including alteration and addition of building layout and structural works that comprising design of new structural works, fitting-out works, changes in facilities configuration, construction of a new extensive to existing buildings, conversion of an existing buildings, conversion of an existing building to different type, etc.) and civil engineering works in Hong Kong.

The ultimate controlling party of the Group is Mr. Tang Wing Kwok ("Mr. Tang"). In the opinion of the directors of the Company, the immediate and ultimate holding company of the Group is Sky Winner Holdings Limited ("Sky Winner"), a company incorporated in the British Virgin Islands ("BVI"), upon completion of the group reorganisation (the "Reorganisation") (as detailed in note 2) on 19 June 2018.

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

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in note 4 which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by The Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA and conventions applicable to group reorganisation (as detailed below).

Ka Shun Civil Engineering together with its subsidiary, Ka Shun Contractors, were acquired from Mr. Lo Wing Hang ("Mr. Lo", a director of the Company and a former non-controlling shareholder of Ka Construction and Ka Shun Contractors) by the Group through its subsidiary, Joy Goal, on 27 October 2015 whereas Ka Construction was acquired by the Group before 1 January 2017. All of these entities, which form part of the Group, have been under the common control of Mr. Tang throughout the two years ended 31 March 2019.

In preparing for the listing of the Company's ordinary shares on the Stock Exchange, the Group underwent the Reorganisation that involves the following:

(a) 957,840 ordinary shares (representing 36.84% of the issued share capital) of Ka Construction owned by the independent third party were transferred to the Group's wholly owned subsidiary, Best Century International Holding Ltd ("Best Century International", the immediate holding company of Ka Construction) at a cash consideration of approximately HK$15,140,000 on 14 March 2017 which was settled by Mr. Tang on behalf of the Group;

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(b) 1,000 ordinary shares (representing the entire issued share capital) of Best Century International owned by Mr. Tang were transferred to Joy Goal (a company then wholly owned by Mr. Tang prior to completion of the Reorganisation and a wholly-owned subsidiary of the Company after completion of the Reorganisation) at a consideration of US$1.00 on 22 March 2017;

(c) 246,220 ordinary shares (representing 9.47% of the entire issued share capital) of Ka Construction owned by Mr. Lo were transferred to Best Century International on 23 March 2017 at a consideration of approximately HK$1,946,000 which was settled by issuing and allotting 1,133 new ordinary shares of Joy Goal to Mr. Lo pursuant to a deed of settlement made amongst Joy Goal, Best Century International and Mr. Lo dated 23 March 2017. Simultaneously on 23 March 2017, 48,866 ordinary shares of Joy Goal were allotted to Mr. Tang;

(d) 3,500 ordinary shares of Joy Goal were transferred from Mr. Tang to Mr. Lo at a cash consideration of approximately HK$6,011,000 on 27 March 2017 which was settled by Mr. Lo to Mr. Tang on the same date;

(e) 400,000 ordinary shares (representing 40% of the issued share capital) of Ka Shun Contractors owned by Mr. Lo were transferred to Ka Shun Civil Engineering on 27 March 2017 at a consideration of approximately HK$18,248,000 which was settled by a transfer of 10,626 ordinary shares of Joy Goal from Mr. Tang to Mr. Lo on 27 March 2017 pursuant to a deed of settlement entered into among Mr. Tang, Ka Shun Civil Engineering and Mr. Lo dated 27 March 2017; and

(f) 600,000 ordinary shares of Ka Shun Contractors that were held by Mr. Lo on trust for Ka Shun Civil Engineering (that were transferred to Mr. Lo on 27 November 2015 on trust for Ka Shun Civil Engineering according to a declaration of trust executed by Mr. Lo in favour of Ka Shun Civil Engineering) were vested back to Ka Shun Civil Engineering on 2 August 2017.

As a result of the aforesaid transfers,

(a) the entire issued share capital of Ka Construction was held by Best Century International since 23 March 2018, while the entire share capital of Best Century International was held by Joy Goal since 22 March 2017;

(b) the entire issued share capital of Ka Shun Civil Engineering and Ka Shun Contractors was held by Joy Goal since 27 March 2017; and

(c) the shareholdings of Joy Goal were owned as to 34,741 ordinary shares (representing 69.48%) by Mr. Tang and 15,259 ordinary shares (representing 30.52%) by Mr. Lo since 27 March 2017.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Incorporation of Sky Winner

Sky Winner was incorporated on 5 February 2018 in the BVI and was authorised to issue a maximum of 50,000 ordinary shares of US$1.00 each. On 27 March 2018, 6,948 fully paid ordinary shares, representing 69.48% of the issued share capital of Sky Winner, were allotted and issued to Mr. Tang at par and 3,052 fully paid ordinary shares, representing the remaining 30.52% of the issued share capital of Sky Winner, were allotted and issued to Mr. Lo at par. Sky Winner became the holding vehicle of Mr. Tang and Mr. Lo and is wholly owned by them.

Disposal of Nice Capital Investment

Nice Capital Investment (a wholly owned subsidiary of Best Century International) is a company holding a residential property in Hong Kong which had been occupied by Mr. Tang as staff quarter for nil consideration during the year ended 31 March 2018. As part of the Reorganisation, the entire issued share capital of Nice Capital Investment was disposed of by Best Century International to Mr. Tang on 28 March 2018 at a consideration of HK$10,706,000. Details are set out in note 22.

Incorporation of the Company

The Company was incorporated on 24 April 2018 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per share. One nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Sky Winner at a consideration of HK$0.01 on the same day. After the aforesaid share transfer, the then issued share capital of the Company was wholly-owned by Sky Winner.

Acquisition of Joy Goal by the Company

On 19 June 2018, Mr. Tang and Mr. Lo (as vendors and warrantors), Sky Winner (as confirmer) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which, (a) Mr. Tang transferred his 34,741 ordinary shares (representing 69.48% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the 1 nil-paid subscriber share of the Company and registered in the name of Sky Winner was credited as fully paid together with the Company issuing and allotting 6,947 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Tang; and (b) Mr. Lo transferred his 15,259 ordinary shares (representing 30.52% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the Company issued and allotted 3,052 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Lo.

Upon the completion of the aforesaid transfers, Joy Goal became the direct wholly owned subsidiary of the Company, and the Company became the holding company of companies comprising the Group.

The Group, comprising the Company, Joy Goal, Best Century International, Ka Construction, Ka Shun Civil Engineering, Ka Shun Contractors, Nice Capital Investment and Profit Gather Investment Limited ("Profit Gather Investment", which was incorporated by Joy Goal on 30 January 2018), has always been under the common control of Mr. Tang throughout the two years ended 31 March 2019 or from their respective dates of incorporation or acquisition to date of disposal, where there is a shorter period.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group resulting from the Reorganisation, which involves the interspersing the Company between Joy Goal and its subsidiaries (including Best Century International, Ka Construction, Ka Shun Civil Engineering, Ka Shun Contractors, and Profit Gather Investment) and the then ultimate shareholders of Joy Goal (being Mr. Tang and Mr. Lo). Therefore, the Group is regarded as a continuing entity.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the companies now comprising the Group are prepared as if the group structure upon the completion of the Reorganisation had been in existence throughout the years ended 31 March 2018 and 2019, or from their respective dates of incorporation or acquisition to date of disposal, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2018 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation had been in existence at 31 March 2018 taking into account the respective dates of incorporation, acquisition or disposal, where applicable.

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

The Group has consistently adopted HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for annual accounting periods beginning on 1 April 2018 throughout the years ended 31 March 2018 and 2019, except that the Group adopted HKFRS 9 *Financial Instruments* on 1 April 2018 and applied HKAS 39 *Financial Instruments: Recognition and Measurement* for the year ended 31 March 2018.

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

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

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

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

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK$'000	New carrying amount under HKFRS 9 HK$'000
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	43,511	43,511
Pledged bank deposits	Loans and receivables	Financial assets at amortised cost	6,663	6,663
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	44,719	44,719
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	64,891	64,891

Besides, as at 1 April 2018, the management of the Group reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been individually assessed based on internal credit ratings of trade debtors and historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

Based on the assessment by the management of the Group, no impairment loss on the Group's trade and other receivables, contract assets, pledged bank deposits and bank balances was recognised under HKFRS 9 as at 1 April 2018 as the amounts involved were insignificant.

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2020

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

HKFRS 16 Leases

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

HKFRS 16 Leases (continued)

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 classification of cash flows, the Group currently presents other operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion, which will be presented as financing cash flows, upfront prepaid lease payments will be presented as investing or operating cash flows in accordance to the nature, as appropriate.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$465,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will result in recognising 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 management of the Group currently considers refundable rental deposits paid of HK$158,000 as at 31 March 2019 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

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

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

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

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

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

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

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

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

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

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

(b) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

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

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

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

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

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

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

Output method

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Short-term employee benefits

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

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

Retirement benefits costs

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

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

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

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

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

Provisions

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (continued)

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

All of the Group's financial assets recognised under HKFRS 9 are subsequently measured at amortised cost.

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

Impairment of financial assets and contract assets under ECL model (upon application of HKFRS 9 with transitions in accordance with note 3)

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors based on the Group's internal credit ratings of those debtors, which are determined by the management of the Group with reference to ageing, repayment history and/or past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information at the reporting date, including time value of money where appropriate.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and contract assets under ECL model (upon application of HKFRS 9 with transitions in accordance with note 3) (continued)

Significant increase in credit risk

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

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time of the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and contract assets under ECL model (upon application of HKFRS 9 with transitions in accordance with note 3) (continued)

Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

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

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

(d) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial assets because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and contract assets under ECL model (upon application of HKFRS 9 with transitions in accordance with note 3) (continued)

Measurement and recognition of ECL

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

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

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

Loans and receivables

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

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

Impairment of loans and receivables and contract assets (before application of HKFRS 9 on 1 April 2018)

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables and contract assets (before application of HKFRS 9 on 1 April 2018) (continued)

The objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables and contract assets could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables and contract assets.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of trade receivables and contract assets

Prior to the adoption of HKFRS 9, the management of the Group estimates the recoverability of trade receivables and contract assets based on objective evidence. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amounts of trade receivables and contract assets are HK$42,695,000 as set out in note 15 and HK$80,887,000 as set out in note 16, respectively.

Since the adoption of HKFRS 9 on 1 April 2018, the Group assesses ECL for the trade receivables and contract assets individually based on internal credit ratings of trade debtors, which are determined by the management of the Group with reference to ageing, repayment history and/or past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the internal credit rating and historical observed default rates are reassessed and changes in the forward-looking information are considered. As at 31 March 2019, the carrying amounts of trade receivables and contract assets are HK$20,551,000 as set out in note 15 and HK$76,095,000 as set out in note 16, respectively.

Impairment for trade receivables and contract assets was considered insignificant during the two years ended 31 March 2018 and 2019.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revenue recognition of construction works

The management of the Group reviews and revises the estimate of contract revenue, variations in contract works and claims yet certified by architects, surveyors or other representatives appointed by the customers for each construction contract as the contract progresses based on the historical payments from similar revenue/claims and the recent discussion with the customers and their representatives.

Recognised amounts of contract revenue/claims and related contract assets reflect management's best estimate of each contract's outcome and stage of completion. The actual outcomes in terms of the revenue/claims and contract assets may be higher or lower than the amounts estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

Revenue of the Group represents the fair value of amounts received and receivable from the provision of services on alteration and addition works and civil engineering works in Hong Kong (all being recognised over time under long-term contracts in Hong Kong) during the year.

	2019 HK$'000	2018 HK$'000
Contract revenue from provision of services on alteration and addition works	**215,568**	139,626
Contract revenue from provision of services on civil engineering works	**85,358**	94,097
	300,926	233,723

Included in the Group's revenue during the year is contract revenue of HK$87,410,000 (2018: HK$18,776,000) derived from provision of services on alteration and addition works to a customer in public sector. Other revenue is derived from provision of services on alteration and addition works and civil engineering works to customers in private sector.

(ii) Performance obligations for contracts with customers

Revenue from provision of services on alteration and addition works and civil engineering works under long-term contracts with customers is mainly derived from fixed-price contracts with customers, such as landlords, construction companies and contractors in Hong Kong. Such contracts are entered into before the services begin. Under the terms of contracts, the Group is contractually required to perform alteration and addition works and civil engineering works at the customers' specified sites that the Group's performance creates or enhances an asset that the customers control as the Group performs.

6. REVENUE (continued)

(ii) Performance obligations for contracts with customers (continued)

Revenue from provision of services on alteration and addition works and civil engineering works is therefore recognised over time using output method, i.e. based on surveys of alteration and addition works and civil engineering works completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers or estimated with reference to the progress payment application submitted by the Group to the customers in relation to the works completed by the Group that best depicts the Group's performance in transferring control of services.

These construction contracts normally require payments be measured and made on monthly basis and certain construction contracts require customers to make upfront payments before construction commence, and it gives rise to the contract liabilities until revenue recognised on the specific contract exceeds the amount of such upfront payments. According to the relevant construction contracts with the customers, the Group is required to provide repairs to fix up quality problems, if any, during the defect liability period as specified in the construction contracts. A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services on alteration and addition works and civil engineering works are performed and are transferred to trade receivables when the rights become unconditional, being the contracts for unconditional payments except for passage of time are reached.

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

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	2019 **HK$'000**	2018 HK$'000
Provision of services on alternation and addition works	**156,454**	209,502
Provision of services on civil engineering works	**323,712**	28,970
	480,166	238,472

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of services on alteration and addition works and civil engineering works as at 31 March 2019 will be recognised as revenue during the years ending 31 March 2020 to 31 March 2021 (2018: during the years ended/ending 31 March 2019 to 31 March 2020).

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company, in order for CODM to allocate resources and assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reporting and operating segments under HKFRS 8 *Operating Segments* are as follows:

- Alteration and addition works; and

- Civil engineering works.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and profit

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 March 2019

	Alteration and addition works HK$'000	Civil engineering works HK$'000	Total HK$'000
Segment revenue — external	**215,568**	**85,358**	**300,926**
Segment results	**52,164**	**18,055**	**70,219**
Other income, other gains or losses			**125**
Listing expenses			**(17,518)**
Administrative expenses			**(9,699)**
Profit before tax			**43,127**

7. SEGMENT INFORMATION (continued)

Segment revenue and profit (continued)

For the year ended 31 March 2018

	Alteration and addition works HK$'000	Civil engineering works HK$'000	Total HK$'000
Segment revenue — external	139,626	94,097	233,723
Segment results	26,997	25,163	52,160
Other income, other gains or losses			17,063
Listing expenses			(1,500)
Administrative expenses			(10,134)
Profit before tax			57,589

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit before tax earned by each segment without allocation of other income, other gains or losses, listing expenses and administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Other segment information

	2019 HK$'000	2018 HK$'000
Amounts included in the measures of segment profits:		
Depreciation		
— Provision of services on alteration and addition works	**1,236**	435
— Provision of services on civil engineering works	**1,376**	1,963
— Unallocated	**–**	432
	2,612	2,830

Entity-wide information

Geographical information

The Group's operations are located in Hong Kong. The geographical location of the Group's non-current assets is situated in Hong Kong.

All of the Group's revenue from external customers is attributable to the group entities' place of domicile (i.e. Hong Kong).

7. SEGMENT INFORMATION (continued)

Entity wide information (continued)

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Provision of services on alteration and addition works:		
Customer A	**123,868**	110,792
Customer B	**87,410**	*N/A
Provision of services on civil engineering works:		
Customer Group C	**46,182**	74,686

* The revenue from this customer was less than 10% of the Group's revenue in the relevant year.

8. OTHER INCOME, OTHER GAINS OR LOSSES

	2019 HK$'000	2018 HK$'000
Bank interest income	**41**	49
Gain on disposal of a subsidiary (Note 22)	**–**	17,202
Gain (losses) on disposal/write-off of property, plant and equipment, net	**10**	(208)
Others	**74**	20
	125	17,063

9. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong	**9,829**	6,783
Deferred tax (Note 20)	**(96)**	533
	9,733	7,316

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2019 (2018: 16.5%).

9. INCOME TAX EXPENSE (continued)

Commencing from year ended 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary (as elected by the management) is subject to the two-tiered profits tax rates regime which was effective on 28 March 2018 that the first HK$2 million of assessable profits will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The Hong Kong Profits Tax of other Hong Kong incorporated subsidiaries is calculated at 16.5% of their respective estimated assessable profit for the year ended 31 March 2019.

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

	2019 HK$'000	2018 HK$'000
Profit before tax	**43,127**	57,589
Tax at applicable statutory tax rate of 16.5% (2018: 16.5%)	**7,116**	9,502
Tax effect of income not taxable for tax purpose	**(8)**	(2,838)
Tax effect of expenses not deductible for tax purpose	**2,790**	652
Tax effect of two-tiered profits tax rates regime	**(165)**	–
Income tax expense for the year	**9,733**	7,316

10. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
Profit before tax has been arrived at after charging:		
Staff costs (including directors' emoluments as disclosed in note 12):		
Salaries and other benefits	**28,208**	25,484
Discretionary bonus*	**1,524**	3,834
Retirement benefit scheme contributions	**1,139**	959
	30,871	30,277
Auditor's remuneration	**700**	300
Minimum lease payments under operating leases in respect of:		
— properties and warehouse	**891**	1,177
— plant and machinery	**1,550**	2,037
Depreciation of property, plant and equipment	**2,612**	2,830

* The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

11. DIVIDENDS

During the year ended 31 March 2018, Joy Goal declared and paid interim dividend of HK$63,695,000 to its then shareholders. The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful.

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

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

Directors' emoluments and chief executive's emoluments

Details of the emoluments paid to the directors of the Company are as follows:

Year ended 31 March 2019

		Other emoluments			
	Fee HK$'000	Salaries and other allowance HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Tang	–	600	–	18	618
Mr. Lo	–	545	45	18	608
Independent non-executive directors:					
Mr. Yeung Tze Long (Note)	–	–	–	–	–
Mr. Yiu Chun Wing (Note)	–	–	–	–	–
Mr. Cheung Ting Kin (Note)	–	–	–	–	–
	–	1,145	45	36	1,226

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

Directors' emoluments and chief executive's emoluments (continued)

Year ended 31 March 2018

		Other emoluments			
	Fee	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Tang	–	600	300	18	918
Mr. Lo	–	540	45	18	603
	–	1,140	345	36	1,521

Note: They were appointed as independent non-executive directors on 4 April 2019.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The executive directors of the Company are entitled to bonus payments which are determined with reference to individual performance of the relevant directors.

Mr. Tang was appointed as a director of the Company on 24 April 2018 and was re-designated as an executive director and the chairman of the Company on 31 May 2018 and also assumed the role of chief executive for both years. Mr. Lo was appointed as a director of the Company on 24 April 2018 and was re-designated as executive director of the Company on 31 May 2018.

There was no arrangement under which the directors or the chief executive waived or agreed to waive any emoluments during both years.

Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 March 2019 include 2 directors (2018: 1 director), details of whose emoluments are set out above. Details of the remaining 3 (2018: 4) highest paid individuals are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other allowances	**2,182**	3,112
Discretionary bonus	**158**	2,172
Retirement benefit scheme contributions	**54**	72
	2,394	5,356

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

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

Employees' emoluments (continued)

The emoluments of the highest paid employees were within the following bands:

	2019 HK$'000	2018 HK$'000
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	2
	3	4

During both years, no emoluments were paid by the Group to any of the directors, chief executive nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EARNINGS PER SHARE

	2019 HK$'000	2018 HK$'000
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**33,394**	50,273

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**465,000**	465,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined as 465,000,000 ordinary shares on the assumption that the Reorganisation as disclosed in note 2 and the Capitalisation Issue as defined and detailed in note 33(d) have been effective on 1 April 2017.

No diluted earnings per share is presented for both years as there was no potential ordinary share in issue.

14. PROPERTY, PLANT AND EQUIPMENT

	Property HK$'000	Machinery and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2017	17,464	4,048	1,135	4,952	27,599
Addition	–	756	139	3,497	4,392
Derecognised on disposal of a subsidiary (Note 22)	(17,464)	–	–	–	(17,464)
Write-off	–	(132)	(411)	–	(543)
At 31 March 2018	–	4,672	863	8,449	13,984
Addition	–	88	93	755	936
Disposals	–	(73)	–	(806)	(879)
At 31 March 2019	–	4,687	956	8,398	14,041
DEPRECIATION					
At 1 April 2017	3,454	3,367	477	2,279	9,577
Provided for the year	432	570	152	1,676	2,830
Derecognised on disposal of a subsidiary (Note 22)	(3,886)	–	–	–	(3,886)
Write-off	–	(108)	(227)	–	(335)
At 31 March 2018	–	3,829	402	3,955	8,186
Provided for the year	–	352	187	2,073	2,612
Disposals	–	(14)	–	(806)	(820)
At 31 March 2019	–	4,167	589	5,222	9,978
CARRYING VALUES					
At 31 March 2019	–	520	367	3,176	4,063
At 31 March 2018	–	843	461	4,494	5,798

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following useful life:

Property	40 years
Machinery and equipment	3–4 years
Furniture and office equipment	5 years
Motor vehicles	3–4 years

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Trade receivables	**20,551**	42,695
Advances to sub-contractors and suppliers	**5,512**	2,434
Prepaid listing expense and issue costs	**–**	2,125
Deferred issue costs	**5,697**	653
Other receivables (Note (a))	**970**	816
Prepayments and deposits (Note (b))	**1,517**	3,037
	34,247	51,760

Notes:

(a) The other receivables mainly represent advances to injured workers that could be reimbursed from insurance.

Details of the impairment assessment are set out in note 30.

(b) As at 31 March 2018, the amounts include deposits of HK$200,000 paid to an insurance company as collateral for issuance of certain amounts of performance bonds in favour the Group's customers (see note 26). The remaining prepayments and deposits mainly represent prepaid site insurance and various rental and utility deposits.

Trade receivables

The Group allows generally a credit period ranging from 30 to 90 days to its customers. The following is an aged analysis of trade receivables from contracts with customers presented based on dates of work certified at the end of each reporting period, net of allowance for credit loss.

	31 March 2019 HK$'000	31 March 2018 HK$'000	1 April 2017 HK$'000
1–30 days	**20,111**	17,012	10,609
31–60 days	**440**	24,911	–
61–90 days	**–**	772	–
	20,551	42,695	10,609

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the management of the Group regularly.

As at 31 March 2018 and 2019, the Group's trade receivable balances were not yet past due.

Details of the impairment assessment are set out in note 30.

16. CONTRACT ASSETS AND LIABILITIES

Contract assets represent the Group's rights to considerations from customers for the provision of services on alteration and addition works and civil engineering works, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

The Group's contract assets are analysed as follows:

	31 March 2019 HK$'000	31 March 2018 HK$'000	1 April 2017 HK$'000
Provision of services on alteration and addition works			
— Retention receivables	**16,018**	17,423	27,889
— Others	**35,286**	38,661	24,410
Provision of civil engineering works			
— Retention receivables	**9,877**	11,637	655
— Others	**14,914**	13,166	3,101
	76,095	80,887	56,055

Changes of contract assets were mainly due to: (1) changes in retention receivables as a result of changes in number of ongoing and completed contracts under the defect liability period; and (2) changes in the size and number of contract works that the relevant services were completed but yet been certified at the end of each reporting period.

The Group's contract assets are the retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**7,771**	19,357
After one year	**18,124**	9,703
	25,895	29,060

Details of the impairment assessment of contract assets are set out in note 30.

Contract liabilities as at 31 March 2019 represent the Group's obligation to transfer alteration and addition works services to customers for which the Group has received advance payments from the customers and will be recognised as revenue for the year ending 31 March 2020.

17. BALANCES WITH RELATED PARTIES

The balances with the related parties were as follows:

	Relationship	31 March 2019 HK$'000	31 March 2018 HK$'000	1 April 2017 HK$'000
Advances to related parties				
Mr. Tang	Director	–	–	23,903
Kaboo Construction (Macau) Co. Ltd. ("**Kaboo**")	Controlled by Mr. Tang	–	–	87
Mr. Lo	Director	–	–	5,791
Advances from related parties				
Mr. Tang	Director	–	–	44,445
Mr. Lo	Director	–	–	500

The balances with the related parties arose from non-trade activities and were unsecured, non-interest bearing and were repayable on demand.

During the year ended 31 March 2018, Mr. Tang and Mr. Lo settled the Group's advanced to them of HK$31,382,000 and HK$5,791,000, respectively, by offsetting the Group's advanced from them (including dividends payable of HK$10,695,000).

During the year ended 31 March 2019, the Group advanced HK$4,510,000 to Mr. Lo which was unsecured, interest-free and fully repaid during the year.

Maximum amounts due from the related parties during the year are as follows:

	2019 HK$'000	2018 HK$'000
Mr. Tang	–	34,609
Kaboo	–	87
Mr. Lo	**4,510**	5,791

18. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Included in the Group's pledged bank deposits and bank balances and cash as at 31 March 2019 are bank fixed deposits of HK$20,897,000 (2018: HK$26,275,000) which carry interest at prevailing market interest rates at ranging from 0.3% to 0.4% (2018: ranging from 0.3% to 0.4%) per annum, the remaining amounts are bank balances carrying interest at prevailing market interest rate at 0.001%.

As at 31 March 2019 and 2018, the pledged bank deposits were used to guarantee the repayment of the performance bonds issued by a bank in favour of the Group's customers (see note 26). Included in the pledged bank deposits as at 31 March 2019 are bank fixed deposits of HK$20,897,000 (2018: HK$6,275,000), in aggregate, which have original maturity more than three months when acquired.

Details of the impairment assessment are set out in note 30.

19. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**18,428**	48,076
Retention payables	**10,438**	15,565
Staff costs payables	**2,752**	3,230
Accrued issue costs	**8,421**	653
Other payables (Note)	**3,056**	2,125
	43,095	69,649

Note: The other payables mainly represent payables in respect of construction industry levy and pneumoconiosis compensation fund board levy, accruals of audit fees and various office expenses.

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

	2019 HK$'000	2018 HK$'000
1–30 days	**13,167**	42,930
31–60 days	**5,261**	1,669
61–90 days	**–**	2,024
Over 90 days	**–**	1,453
	18,428	48,076

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

19. TRADE AND OTHER PAYABLES (continued)

The retention payables are to be settled, based on the expiry of maintenance period, at the end of the reporting period as follows:

	2019 HK$'000	2018 HK$'000
On demand or within one year	**3,159**	9,846
After one year	**7,279**	5,719
	10,438	15,565

20. DEFERRED TAXATION

The movements in deferred tax liabilities during both years, without taking into account the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated depreciation allowance HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2017	(74)	106	32
Charge to profit or loss (Note 9)	(427)	(106)	(533)
At 31 March 2018	**(501)**	**–**	**(501)**
Credit to profit or loss (Note 9)	**96**	**–**	**96**
At 31 March 2019	**(405)**	**–**	**(405)**

21. SHARE CAPITAL

Prior to the completion of the Reorganisation on 19 June 2018, the share capital of the Group as at 31 March 2018 represents the issued ordinary share capital of Joy Goal. The share capital of the Group as at 31 March 2019 represents the share capital of the Company.

As at 1 April 2017 and 31 March 2018, Joy Goal had 50,000 ordinary shares with par value of US$1, credited as fully paid, in issue.

The Company was incorporated on 24 April 2018 with the initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per share. One nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Sky Winner at a consideration of HK$0.01 on the same day.

On 19 June 2018, Mr. Tang and Mr. Lo (as vendors and warrantors), Sky Winner (as confirmer) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which, (a) Mr. Tang transferred his 34,741 ordinary shares (representing 69.48% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the 1 nil-paid subscriber share of the Company and registered in the name of Sky Winner was credited as fully paid together with the Company issuing and allotting 6,947 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Tang; and (b) Mr. Lo transferred his 15,259 ordinary shares (representing 30.52% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the Company issued and allotted 3,052 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Lo.

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

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 24 April 2018 (date of incorporation) and 31 March 2019	38,000,000	380
Issued:		
Issued as at 24 April 2018 (date of incorporation)	1	–*
Issued on 19 June 2018 (date of completion of the Reorganisation)	9,999	–*
As at 31 March 2019	10,000	–*

* Amounts less than HK$1,000

22. DISPOSAL OF A SUBSIDIARY

On 28 March 2018, the Group entered into a sale and purchase agreement with Mr. Tang, a shareholder of the Company, to dispose of its 100% of shareholding of Nice Capital Investment which primarily held a residential property in Hong Kong, that was occupied as staff quarter by Mr. Tang for nil consideration during the year ended 31 March 2018 at a cash consideration of HK$10,706,000. The disposal was completed on the same date.

Mr. Tang is the ultimate controlling party of the Group and this disposal forms part of the Reorganisation as set out in note 2. The excess of the fair value of the net assets of Nice Capital Investment amounting to HK$12,395,000 (taking into account the fair value of the residential property at the date of disposal amounting to HK$30,780,000) over its carrying amount of the net liabilities of HK$4,807,000 disposed of amounting to HK$17,202,000 was recorded in the profit or loss. The excess of the fair value of the net assets of Nice Capital Investment over the consideration, amounting to HK$1,689,000, was accounted for as deemed distribution to Mr. Tang recognised in the equity as deemed distribution.

The net assets of Nice Capital Investment being disposed of at the date of disposal were determined as follows:

	HK$'000
Consideration received	
Cash received	–
Receivable recognised — amount due from Mr. Tang	10,706
	10,706
Analysis of assets and liabilities over which control was lost:	
Property	13,578
Amount due to Mr. Tang	(18,467)
Bank balances and cash	82
	(4,807)
Gain on disposal of a subsidiary:	
Consideration receivable	10,706
Less: Net liabilities disposed of	(4,807)
Add: Amount recorded in the equity as deemed distribution	1,689
	17,202
Net cash outflow arising on disposal:	
Cash consideration received	–
Less: Bank balances and cash disposal of	(82)
	(82)

The impact of Nice Capital Investment on the Group's results and cash flows during the year ended 31 March 2018 were insignificant.

23. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group had made minimum lease payments for both years in respect of rental of properties, warehouses and plant and machinery. Details of which are set out in note 10.

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

	2019 HK$'000	2018 HK$'000
Within one year	**408**	903
In the second to fifth year inclusive	**57**	294
	465	1,197

Leases are negotiated for an average term of one to two years and rentals are fixed throughout the lease periods.

24. RETIREMENT BENEFIT PLANS

The Group participates in the MPF Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total costs of HK$1,139,000 charged to profit or loss represents contributions paid or payable to the above scheme by the Group for the year ended 31 March 2019 (2018: HK$959,000).

25. RELATED PARTY DISCLOSURES

Other than the transactions and balances with related parties disclosed elsewhere in the consolidated financial statements, the Group had related party transactions in respect of the compensation of the key management personnel of the Group during the year below:

	2019 HK$'000	2018 HK$'000
Short-term benefits	**3,862**	4,450
Post-employment benefits	**123**	97
	3,985	4,547

26. PERFORMANCE GUARANTEES

As at 31 March 2019, performance bonds of HK$17,263,000 (2018: HK$25,318,000) were given by a bank (2018: a bank and an insurance company) in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the bank and insurance company to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank and insurance company accordingly. The performance guarantees will be released upon completion of the contract works.

The performance guarantees were granted under the bank facilities of the Group which were secured by the pledged bank deposits as disclosed in note 18, a property held by Mr. Lo and his spouse and personal guarantee given by Mr. Lo. The pledge of property and personal guarantee given by Mr. Lo was subsequently released and replaced by the Group's bank deposits on 2 May 2019.

27. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

For the year ended 31 March 2018

(i) The Group disposed of its entire share capital of Nice Capital Investment at a consideration of HK$10,706,000 which has not yet been settled and recorded as an addition to the Group's amount due from Mr. Tang upon completion of this disposal (Note 22).

(ii) Mr. Tang and Mr. Lo settled the Group's amounts due from them by offsetting the Group's amounts due to them of HK$37,173,000 in total (Note 17).

For the year ended 31 March 2019

(i) On 24 April 2018 (date of incorporation), the Company issued capital and allotted one nil-paid ordinary share to the subscriber to its memorandum and articles of association. On 19 June 2018, the Company further issued and allotted 9,999 ordinary shares, all credited as fully paid, to Sky Winner for acquiring the entire share capital of Joy Goal for the completion of the Reorganisation.

28. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2018 and 2019 are set out below:

Name of subsidiaries	Date and place of incorporation	Fully paid-up capital	Shareholding attributable to the Company at 31 March 2019	2018	Principal activities
Directly held					
Joy Goal 樂高有限公司	8 April 2014 BVI	US$50,000	100%	100%	Investment holding
Indirectly held					
Best Century International	9 August 1999 BVI	US$1	100%	100%	Investment holding
Ka Construction 嘉建建築有限公司	13 November 1979 Hong Kong	HK$2,600,000	100%	100%	Civil engineering works
Ka Shun Civil Engineering 嘉順土木工程有限公司	18 July 1995 Hong Kong	HK$5,900,000	100%	100%	Alteration and addition works and civil engineering works
Ka Shun Contractors 嘉順承造有限公司	25 July 2013 Hong Kong	HK$1,000,000	100%	100%	Alteration and addition works
Nice Capital Investment 麗都投資有限公司 (Note)	5 March 2009 Hong Kong	HK$10,000	–	–	Property investment
Profit Gather Investment	30 January 2018 BVI	US$1	100%	100%	Provision of intra-group administrative service

Note: On 28 March 2018, the Group disposed 100% of shareholding of Nice Capital Investment to Mr. Tang. Details are disclosed in Note 22.

None of the subsidiaries had issued any debt securities at the end of the year.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes pledged bank deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, other reserve, and retained earnings.

The Group is not subject to any externally imposed capital requirements.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019	2018
	HK$'000	HK$'000
Financial assets		
Loans and receivables	**N/A**	94,893
Financial assets as amortised cost	**103,905**	N/A
Financial liabilities		
Amortised cost	**38,258**	64,891

Financial risk management objectives and policies

The Group's major financial instruments include pledged bank deposits, bank balances and cash, trade and other receivables and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's operations expose it to a number of financial risks: principally the interest rate risk, the credit risk and the liquidity risk. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Interest rate risk

The Group has minimal exposure to fair value interest rate risk in relation to fixed rate bank deposits.

The Group's cash flow interest rate risk relates primarily to variable-rate pledged bank deposits and bank balances. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk exposure and will consider other necessary actions when significant interest rate risk exposure is anticipated.

No sensitivity analysis has been presented as the management of the Group considers that the cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances is not significant.

Credit risk and impairment assessment

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

Concentration of credit risk of trade receivables and contract assets

The Group has concentration risk on its major customers (note 7) which accounted for 85.6% (2018: 87.4%) of its revenue for the year ended 31 March 2019. Besides, the Group also has concentration of credit risk because 71.1% (2018: 88.7%) of trade receivables and contract assets as at 31 March 2019 were due from the Group's major customers as set out in note 7. The Group's major customers are reputable companies. The management of the Group closely monitor the subsequent settlement of the customers. In this regard, the management of the Group considers the Group's credit risk is significantly reduced.

Upon the adoption of HKFRS 9 on 1 April 2018, for assessment of the ECL of the Group's financial assets and contract assets, the Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets	Other receivables/ pledged bank deposits and bank balances
Level 1	The counterparty has great ability of repayment, low risk of default and has no history of impairment loss.	Lifetime ECL — not credit-impaired	12m ECL
Level 2	The counterparty has good ability of repayment, which may be influenced by macro environment and economic situation.	Lifetime ECL — not credit-impaired	12m ECL
Level 3	The counterparty has enough ability of repayment, but settles after due date infrequently.	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Level 4	The counterparty has rare ability of repayment and there is potential chance of default.	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Level 5	The counterparty has no ability to repay its debts and the receivable is not expected to be collectible.	Amount is written off	Amount is written off

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade receivables and contract assets at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

For the year ended 31 March 2018, the Group performed impairment assessment using incurred loss model. No impairment was made for the Group's trade receivables and contract assets as at 31 March 2018 and for the year then ended. Upon adoption of HKFRS 9 on 1 April 2018, the management of the Group assessed the lifetime ECL for the Group's trade receivables of HK$42,695,000 (Allowance: Nil) and contract assets of HK$80,887,000 (Allowance: Nil) as at 1 April 2018 and the Group's trade receivables of HK$20,551,000 (Allowance: Nil) and contract assets of HK$76,095,000 (Allowance: Nil) as at 31 March 2019 individually based on internal credit ratings of trade debtors, which are determined by the management of the Group with reference to ageing, repayment history and/or past due status of respective trade receivables and contract assets as at 1 April 2018 and 31 March 2019. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. The loss allowance amount of the credit impaired trade receivables and contract assets, if any, is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. No lifetime ECL of the Group's trade receivables and contract assets as at 1 April 2018 and 31 March 2019 was made because such impairment is considered insignificant as the relevant trade debtors are large companies with high internal and external (if any) credit ratings that they have good ability of repayment and no historical payment default.

Other receivables

For the year ended 31 March 2018, the Group performed impairment assessment using incurred loss model and no impairment was provided. Upon adoption of HKFRS 9 on 1 April 2018, the management of the Group assessed the ECL for the Group's other receivables of HK$816,000 (Allowance: Nil) as at 1 April 2018 and the Group's other receivables of HK$970,000 (Allowance: Nil) as at 31 March 2019 individually based on internal credit ratings of debtors, which are determined by the management of the Group with reference to ageing, repayment history and/or past due status of respective other receivables as at 1 April 2018 and 31 March 2019 which, in the opinion of the management of the Group, have no significant increase in credit risk since initial recognition. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. No 12m ECL of the Group's other receivables as at 1 April 2018 and 31 March 2019 was made because such impairment is considered insignificant as they have fair internal credit ratings that they have good ability of repayment and no historical payment default.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Pledged bank deposits and bank balances

Upon adoption of HKFRS 9 on 1 April 2018, the Group assesses that its pledged bank deposits with gross carrying amount of HK$6,663,000 and HK$21,263,000 and bank balances with gross carrying amount of HK$44,527,000 and HK$60,994,000 as at 1 April 2018 and 31 March 2019, respectively, are at low credit risk because they are placed with reputable banks with good internal credit rating and/or external credit rating from A to Baa and no recognition of 12m ECL as at 1 April 2018 and 31 March 2019 is considered necessary.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate. Besides, the management of the Group closely monitor the level of the Group's bank balances and future cash flows and strike for maintaining sufficient bank balances to pay its creditors when due, for working capital of new projects and expansion plan, additional funding through issuing ordinary shares of the Company or borrowings may be sought.

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have 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 tables include both interest and principal cash flows.

	Weighted average interest rate	Less than 6 months and on demand	6 months to 1 year	More than 1 year	Total	Total undiscounted cash flows
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2019						
Trade and other payables	**N/A**	**28,939**	**2,040**	**7,279**	**38,258**	**38,258**
At 31 March 2018						
Trade and other payables	N/A	56,465	2,707	5,719	64,891	64,891

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to related parties HK$'000	Dividend payable HK$'000	Accrued issued costs HK$'000	Total HK$'000
At 1 April 2017	44,945	–	–	44,945
Cash changes:				
Dividends paid	–	(53,000)	–	(53,000)
Non-cash changes:				
Derecognition of an amount due to a related party in disposal of a subsidiary (Note 22)	(18,467)	–	–	(18,467)
Dividends declared (Note 11)	–	63,695	–	63,695
Accrual of issue costs	–	–	653	653
Amounts due from related parties of the Company settled (Note 17)	(26,478)	(10,695)	–	(37,173)
At 31 March 2018	**–**	**–**	**653**	**653**
Cash changes:				
Issue costs paid	**–**	**–**	**(3,242)**	**(3,242)**
Non-cash changes:				
Accrual of issue costs	**–**	**–**	**4,384**	**4,384**
At 31 March 2019	**–**	**–**	**1,795**	**1,795**

32. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at 31 March 2019 HK$'000
Non-current asset	
Investment in a subsidiary	2,326
Current assets	
Deferred issues costs	5,697
Bank balances and cash	2,060
	7,757
Current liabilities	
Accrued issue costs and expenses	9,121
Due to a subsidiary	17,589
	26,710
Net current liabilities	(18,953)
Net liabilities	(16,627)
Capital and reserve	
Share capital	–*
Share premium	2,326
Accumulated losses	(18,953)
Total deficit	(16,627)

* Amounts less than HK$1,000

32. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

Movement of the Company reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
On 24 April 2018 (date of incorporation)	–	–	–
Issue of ordinary shares of the Company for the Reorganisation	2,326	–	2,326
Loss and total comprehensive expense for the period	–	(18,953)	(18,953)
Balance at 31 March 2019	2,326	(18,953)	(16,627)

33. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2019, the following significant events took place:

(a) On 4 April 2019, written resolutions of the sole shareholder of the Company were passed to approve the increase in authorised ordinary share capital of the Company from HK$380,000 divided into 38,000,000 ordinary shares of the Company of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 ordinary shares of the Company of HK$0.01 each by the creation of additional 4,962,000,000 new ordinary shares of the Company of HK$0.01 each, ranking pari passu in all respects with the ordinary shares of the Company in issue on 4 April 2019.

(b) On 4 April 2019, the Company adopted a share option scheme with the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in the Appendix V to the Company's prospectus dated 13 April 2019 in connection with the Share Offer.

(c) On 30 April 2019, 155,000,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.84 per share by way of public offer and placing of the Company ordinary shares (the "Share Offer"). On the same date, the Company's ordinary shares were listed on the Main Board of the Stock Exchange.

(d) On 30 April 2019, the Company effected the capitalisation of an amount of HK$4,649,900 standing to the credit of the share premium account of the Company as a result of the Share Offer and to appropriate such amount as to capital to pay up in full, at par, 464,990,000 ordinary shares of the Company of HK$0.01 each for allotment and issue to the shareholders of the Company on 4 April 2019, each ranking pari passu in all respects with the then existing issued ordinary shares of the Company (the "Capitalisation Issue").

FINANCIAL SUMMARY

The financial summary of the Group for the last four years is set as follows:

	For the year ended 31 March			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**300,926**	233,723	272,585	143,955
Direct costs	**(230,707)**	(181,563)	(205,139)	(105,072)
Gross profit	**70,219**	52,160	67,446	38,883
Other income, other gains or losses	**125**	17,063	349	409
Listing expenses	**(17,518)**	(1,500)	–	–
Administrative expenses	**(9,699)**	(10,134)	(7,342)	(5,321)
Finance costs	**–**	–	–	(16)
Profit before tax	**43,127**	57,589	60,453	33,955
Income tax expense	**(9,733)**	(7,316)	(10,126)	(5,944)
Profit and total comprehensive income for the year	**33,394**	50,273	50,327	28,011
Earnings per share — Basic (HK cents)	**7.18**	10.81	7.12	3.33

	As at 31 March			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities				
Non-current assets	**4,063**	5,798	18,128	18,053
Current assets	**192,726**	184,029	206,352	174,054
Total assets	**196,789**	189,827	224,480	192,107
Non-current liabilities	**405**	501	74	156
Current liabilities	**49,682**	76,018	95,987	85,207
Total liabilities	**50,087**	76,519	96,061	85,363
Total equity	**146,702**	113,308	128,419	106,744

Note: No financial statements of the Group for the year end 31 March 2015 have been published. The summary above does not form part of the audited financial statements.