LING YUI HOLDINGS LIMITED
凌銳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 784

2019
Annual Report

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lee Kim Ming *(Chairman)*
Mr. Chan Siu Hung *(Chief Executive Officer)*

Independent Non-executive Directors
Mr. Chong Kam Fung
Mr. Chung Yan Yee Andrew (resigned on 31 October 2018)
Mr. Ho Chun Chung Patrick
Mr. Shi Wai Lim William

BOARD COMMITTEES

Audit Committee
Mr. Ho Chun Chung Patrick *(Chairman)*
Mr. Chong Kam Fung
Mr. Chung Yan Yee Andrew (resigned on 31 October 2018)
Mr. Shi Wai Lim William

Remuneration Committee
Mr. Chong Kam Fung *(Chairman)*
Mr. Chung Yan Yee Andrew (resigned on 31 October 2018)
Mr. Lee Kim Ming
Mr. Ho Chun Chung Patrick
Mr. Shi Wai Lim William

Nomination Committee
Mr. Lee Kim Ming *(Chairman)*
Mr. Chong Kam Fung
Mr. Chung Yan Yee Andrew (resigned on 31 October 2018)
Mr. Ho Chun Chung Patrick
Mr. Shi Wai Lim William

COMPANY SECRETARY
Ms. Ng Hoi Ying (appointed on 1 March 2019)
Ms. Tam Kwai Heung (resigned on 1 March 2019)

AUTHORISED REPRESENTATIVES
Mr. Lee Kim Ming
Ms. Ng Hoi Ying (appointed on 1 March 2019)
Ms. Tam Kwai Heung (resigned on 1 March 2019)

AUDITOR
Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Units 1702-03, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

COMPLIANCE ADVISER
Frontpage Capital Limited
26/F, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS
CFN Lawyers in association with Broad and Bright
Units 4101-04, 41/F
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong[1]

PRINCIPAL BANKS

Dah Sing Bank, Limited
Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

COMPANY'S WEBSITE

www.lingyui.com.hk

STOCK CODE

784

Note 1: With effect from 11 July 2019, the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited changed its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Chairman's Statement

Dear Shareholders,

It is my great honor to present the annual report for the year ended 31 March 2019 of Ling Yui Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"). On behalf of the Board (the "**Board**") of directors (the "**Directors**"), I would like to express my sincerest gratitude to all shareholders and stakeholders who supports the Group's direction and planning, we shall continue to ride the right cogitation, keep abreast of the momentum in town and uplift our efficiency towards the forefront with which maximizing the return to our shareholders.

OVERVIEW

The Group has successfully listed on the Main Board of The Stock Exchange of Hong Kong (the "**Stock Exchange**") on 28 December 2017 (the "**Listing**"). With the capital raised from the Listing, the Group has greater opportunities to step further. The Listing not only enhances the Group's productivity with newly acquired machinery and equipment, but also strengthens the positioning of the Group in the foundation industry.

For the year ended 31 March 2019, the Group recorded a total revenue of approximately HK$289.2 million, representing a decrease of 12.7% as compared to approximately HK$331.1 million for the year ended 31 March 2018. The Group recorded a net loss of approximately HK$20.5 million for the year ended 31 March 2019 as compared to a net profit of approximately HK$17.4 million for the year ended 31 March 2018, which was mainly resulted from the increase in cost of construction materials driven by the significant increase in purchase price of steel and concrete and non-recurring additional cost incurred for variations or repairing works at two construction sites in Tuen Mun and Wong Chuk Hang.

PROSPECT

Upcoming year might not be easy for the foundation industry. The Board considered pricing competition could be an unavoidable scene alongside with the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and which would indirectly squeeze the tender prices in the private foundation sector in which the Group mainly engages business.

Despite the shrinking profit margin which has been triggered by such phenomenon, the Group plans to implement stringent control over cost evaluation and site monitoring to reduce resources being wasted, encourage all level staff to participate in regular meetings to give suggestions to enhance efficiency, assure a good working environment for workers so as to enrich loyalty and keep the right personnel to safeguard overall effectiveness.

Widening the client base in the public foundation sector tends to be a potential business opportunity in next financial year. Despite the woes that have been spurred by the prevailing keen competition, the Group has established a project team to target prominent clients who generally have fruitful construction projects in hand. With the Group's well-performed foundation business intelligence, satisfactory achievement in this business sector is optimistic.

The Board believes that the Listing has enhanced the Group's image in relevant business sectors. Coupled with the Group's positive and energetic business strategy in the upcoming year, it is expected that greater value could be generated and contributed to its shareholders and investors.

Lee Kim Ming
Chairman and Executive Director

Hong Kong, 25 June 2019

BUSINESS REVIEW

The Group is a Hong Kong-based subcontractor principally providing foundation works including excavation and lateral support works, pile cap works and pile construction, site formation works and other ancillary services such as road and drainage works for foundation projects in the private sector.

For the year ended 31 March 2019, the Group recorded revenue of approximately HK$289.2 million as compared to revenue of HK$331.1 million for the year ended 31 March 2018. The Directors are of the view that the decrease in revenue was primarily due to progress delays in construction projects.

Apart from the above, the Board considered pricing competition could be an unavoidable scene alongside with the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and contractors in the public sector would flow into competition which in turn, would indirectly squeeze the tender prices in the private foundation sector in which the Group mainly engages business. The shrinking profit margin is now become the market trends of the industry, accordingly the Group are willing to tender the projects at lower profit margin to maintain the competitiveness.

OUTLOOK

The Group always strives to improve its operation efficiency and profitability of its business. The Group plans to expand its fleet of machinery and equipment, which will enhance its technical capability to bid future projects. The Group will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders. The net proceeds from the share offer of the shares thereby provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in foundation and site formation works.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. The Directors believe the more significant risks relating to the business are as follows:

– A significant portion of the Group's revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and any decrease in the number of projects with the Group's major customers would adversely affect the Group's operations and financial results;

– As the Group from time to time engages subcontractors in the works, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the Group's subcontractors; and

– The Group determine the price of our quotation based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from our estimate due to unexpected circumstances.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 March 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("**ESG**") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

The details of ESG performance of the Group are set out in the ESG Report on pages 25 to 38 of this annual report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

The Group maintains a good relationship with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's production and operation would be at risk.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 12.7% from approximately HK$331.1 million for the year ended 31 March 2018 to approximately HK$289.2 million for the year ended 31 March 2019. Such decrease was mainly resulted from progress delays in the project in Kwun Tong with contract sum of approximately HK$306.6 million and the project at Island Road with contract sum of approximately HK$45.0 million as the relevant project owners have revised the building plans of the said projects which were pending approval by the relevant government department for a substantial period of time during the year ended 31 March 2019.

Direct Costs

The Group's direct costs for the year ended 31 March 2019 was approximately HK$288.3 million, representing an increase of approximately 3.7% from approximately HK$278.1 million for the year ended 31 March 2018, mainly attributable to additional material cost including steel and concrete expense incurred for the foundation project in Tuen Mun. The increase of direct cost is also resulted by the additional cost incurred for repairing works due to an incident in relation to a damage of public utilities outside the construction site which happened in February 2019, also there is an increment of construction material consumed in terms of quantify due to ELS works amendment to suit for construction site and significant increase in purchase price of steel and concrete for the project in Wong Chuk Hang.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 March 2019 was approximately HK$0.9 million, as compared with approximately HK$53.0 million for the year ended 31 March 2018. The Group's gross profit margin for the year ended 31 March 2019 was approximately 0.3% representing a decrease of approximately 15.7 percentage point as compared to 16.0% for the year ended 31 March 2018. Such decrease was primarily due to expenses incurred as explained under direct costs.

Administrative Expenses

The Group's administrative expenses for the year ended 31 March 2019 were approximately 24.0 million, representing an increase of approximately 9.9% from approximately HK$21.9 million for the year ended 31 March 2018, primarily as a result of the increase in legal and professional fees related to compliance with Listing including compliance advisor fee, company secretarial fee, financial printing charges and annual listing fee to the Stock Exchange.

(Loss)/Profit and Total Comprehensive (Expense)/Income attributable to Owners of the Company for the year

As a result of the foregoing, for the year ended 31 March 2019, the Group recorded a net loss of approximately HK$20.5 million as compared to a net profit of approximately HK$17.4 million for the same period in 2018.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 13 December 2017 (the "**Prospectus**") with actual business progress up to 31 March 2019.

Business plan as set out in the Prospectus	Progress up to 31 March 2019
Funding the costs to be incurred in the early stage of three existing foundation works projects	
– Island Road Project	The funding costs of approximately HK$7.9 million was fully utilised.
– Java Road Project	The funding costs of approximately HK$4.2 million was fully utilised.
– Wong Chuk Hang Project	The funding costs of approximately HK$10.8 million was fully utilised.
Strengthening the manpower	
– Employ project management and supervision	The Group has hired 2 assistant quantity surveyors, 6 surveyors, 3 engineers, 2 site agents and 2 project managers.
– Employ machinery operator	The Group has hired 7 machinery operators.
Enhancing the machinery	
– Purchase new machinery	The Group has purchased 20 excavators and 5 cranes and breaker.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the share offer of the Group at the time of Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$52.0 million.

The below table sets out the proposed and actual applications of the net proceeds from the date of the listing (the "**Listing Date**") to 31 March 2019:

	Planned use of proceeds HK$'000	**Actual use of proceeds from Listing Date to 31 March 2019** HK$'000	**Unutilised balance as at 31 March 2019** HK$'000
Funding the costs to be incurred in the early stage of three existing foundation works projects	22,845	22,845	–
Strengthening the manpower	12,213	7,475	4,738
Enhancing the machinery	12,252	12,252	–
General working capital	4,705	4,705	–
	52,015	47,277	4,738

The remaining unutilised net proceeds as at 31 March 2019 were placed as deposits with licensed banks in Hong Kong and are currently intended to be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Shares were successfully listed on Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since the Listing Date and up to date of this annual report. The capital of the Group only comprises of ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 31 March 2019, the Group had cash and bank balances of approximately HK$26.4 million (2018: HK$47.7 million).

As at 31 March 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK$104.9 million (2018: HK$126.8 million). As of the same date, the Group's total debt, amounted to approximately HK$139.3 million (2018: HK$106.5 million).

BORROWINGS AND GEARING RATIO

As at 31 March 2019, the Group had borrowings of approximately HK$50.1 million which was denominated in Hong Kong dollars (2018: HK$38.5 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2019, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 132.8% (2018: 83.9%).

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

Save as disclosed in this annual report, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2019. There is no other plan or material investments or capital assets as at 31 March 2019.

CHARGE ON GROUP ASSETS

As at 31 March 2019, the Group pledged its machineries and construction equipment with an aggregate net book value of HK$30.6 million (31 March 2018: HK$11.6 million) and motor vehicles with an aggregate net book value of HK$0.9 million (31 March 2018: HK$1.1 million) to the banks and a financial institution to secure the short-term bank loans and other general banking facilities granted to the Group.

As at 31 March 2019, payment for life insurance policy of approximately HK$3.7 million was pledged to a bank to secure the banking facilities granted to the Group (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group's material contingent liabilities was set out in note 31 of notes to the consolidated financial statements (2018: Nil).

COMMITMENTS

As at 31 March 2019, the Group had no material capital commitments in respect of acquisition of property and equipment (2018: HK$2.7 million). The details of capital commitments are set out in note 30 to the consolidated financial statements.

The Group is the lessee in respect of office premises, quarters and warehouses under operating leases. As at 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK$0.3 million (2018: HK$1.7 million).

SEGMENT INFORMATION

The Group principally operated in one business segment, which is the contractors in the foundation and site formation industry.

INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group had 116 full-time employees working in Hong Kong (2018: 110). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including Director's emoluments and mandatory provident funds contributions) for the year ended 31 March 2019 amounted to approximately 51.9 million (2018: HK$44.8 million).

DIVIDENDS

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, there is no other important event affecting the Group since 31 March 2019 and up to date of this annual report.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lee Kim Ming ("Mr. Lee"), aged 64, the founder of the Group, was appointed to the Board on 24 January 2017 and designated as an executive Director on 25 May 2017. Mr. Lee is the Company's chairman (the "**Chairman**") and the controlling shareholder. He is also the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**"). Mr. Lee is responsible for the overall strategic management and development of the Group's business operations.

Mr. Lee has over 41 years of experience in the ELS and foundation-related industry. Mr. Lee began his career as a trainee machinery controller at Kai Ming Engineering Company from 1974 to 1975 and later joined Yat Lee Engineering Company as a machinery controller in 1976. Prior to establishing the Group, in 1977, Mr. Lee started the business of foundation works as a sole proprietorship under the business name of Ming Lee Engineering Company where he continued to gather and extend his knowledge and expertise in foundation industry by participating in different construction projects as a subcontractor focusing on ELS works. Mr. Lee later founded the Group by establishing Ming Lee Engineering Company Limited ("**Ming Lee Engineering**") and Ming Lee Foundation Company Limited ("**Ming Lee Foundation**") in 2000 and 2007 respectively. Mr. Lee has been a director of Ming Lee Engineering since November 2000 and a director of Ming Lee Foundation since August 2007. Mr. Lee is a director of all subsidiaries of the Group.

Mr. Chan Siu Hung ("Mr. Chan"), aged 45, was appointed as an executive Director on 25 May 2017. Mr. Chan is also the chief executive officer of the Company (the "**Chief Executive Officer**"). Mr. Chan is responsible for the day-to-day management and operation of the Group and is responsible for overseeing and monitoring the projects and operations.

Mr. Chan received his Bachelor of Engineering degree in Civil & Infrastructure from Royal Melbourne Institute of Technology in 2015 and is currently the Honorary President of the Hong Kong Society of Registered Safety Auditors and Review Officers. Mr. Chan has over 21 years of extensive experience in the foundation industry. Mr. Chan joined Freyssinet Hong Kong Limited in 1994 as a technician apprentice of the geotechnical division and held last position as an assistant engineer II in 1997. He later served Ping On Foundation (Construction) Limited as a site agent from 2009 to 2012. Prior to joining the Group in 2014, Mr. Chan was a project manager of W.M. Construction Limited from 2012 to 2014. Mr. Chan joined the Group in 2014 and has been a director of Ming Lee Foundation since August 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chun Chung Patrick ("Mr. Ho"), aged 55, was appointed as the independent non-executive Director on 4 December 2017. Mr. Ho is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the company. He is also the chairman of the audit committee of the Company (the "**Audit Committee**") and a member of each of the Remuneration Committee and the Nomination Committee.

Mr. Ho obtained a professional diploma in accountancy from the Hong Kong Polytechnic in November 1987 and a master degree in finance from the City University of Hong Kong in December 1996. Mr. Ho is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since February 1991 and October 1995, respectively.

Mr. Ho worked in PricewaterhouseCoopers from 1987 to 1991 and Gold Peak Industries (Holdings) Limited (stock code: 40) from 1992 to 2000 with his last position as financial controller and Chen Hsong Holdings Limited (stock code: 57) from 2002 to 2005 as financial controller. Mr. Ho was an independent non-executive director of Tesson Holdings Limited (stock code: 1201) from 2014 to 2016 and Asia Investment Finance Group Limited (stock code: 33) from 2015 to 2018 respectively. Mr. Ho was also an independent non-executive director of A & S Group (Holdings) Limited (stock code: 1737) since March 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Chong Kam Fung ("Mr. Chong"), aged 39, was appointed as an independent non-executive Director on 4 December 2017. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Chong is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Chong obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Chong has been a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants since April 2008 and October 2012, respectively.

From 2006 to 2013, Mr. Chong worked in PricewaterhouseCoopers in Hong Kong with his last position held as senior manager. Mr. Chong has been the company secretary of Ahsay Backup Software Development Company Limited (stock code: 8290) since March 2015. From 2016 to 2018, Mr. Chong was a non-executive director of Hao Bai International (Cayman) Limited (stock code: 8431). In addition, Mr. Chong has been appointed as an independent non-executive director of Basetrophy Group Holdings Limited (stock code: 8460) since June 2017.

Mr. Shi Wai Lim William ("Mr. Shi"), aged 41, was appointed as an independent non-executive Director on 4 December 2017. Mr. Shi is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Company. He is a member of each of the Audit Committee, Nomination Committee and the Remuneration Committee.

Mr. Shi was awarded a certificate for safety supervisor by Occupational Safety and Health Council of Hong Kong in July 1995. He completed the assistant safety officer training organised by the Construction Industry Training Authority of Hong Kong in August 1998. Mr. Shi obtained a diploma in Occupational Health and Safety from The Open University of Hong Kong in August 2000 and a Bachelor Degree in Civil Engineering from Bulacan State University in April 2006. He further obtained his Master Degree in Business Administration (Project Management) from Columbia Southern University of the United States through distance learning in September 2007. Mr. Shi has been a registered safety officer with the Labour Department under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since June 2001 and a registered safety auditor with Labour Department under the Factories and Industrial Undertakings (Safety Management) Regulations since September 2002.

Over the years, Mr. Shi has also obtained various professional qualifications and memberships including the following:

Professional qualification	Year of admission
Member of Association of Building Engineers of the United Kingdom	2007
Member of The Society of Professional Engineers of the United Kingdom	2007
Associate Member of the Royal Institution of Chartered Surveyors of the United Kingdom	2010
Accredited Safety Auditor for the independent Safety Audit Scheme	2013
Committee Member of DW Certification Limited (an accredited certification body under The Hong Kong Certification Body Accreditation Scheme)	2013
Chartered Building Engineer	2014
Fellow member of the Chartered Association of Building Engineers of the United Kingdom	2014

Mr. Shi has more than 21 years of experience in the construction industry, including construction safety and forensic safety review and audit. From 1996 to 1998, Mr. Shi was employed as a safety supervisor and Green Card trainer of Sunley Engineering & Construction Company Limited. From 1998 to 2000, Mr. Shi served as a project coordinator in Handy Construction Company Limited. Upon leaving his position at Handy Construction Company Limited in 2000, Mr. Shi joined K.H. Foundation Limited as an assistant safety officer from February 2000 till April 2001 and returned to Sunley Engineering & Construction Company Limited from July 2001 to November 2001, and served as a registered safety officer. From 2002 to 2004, Mr. Shi served as consultant in China/HK Interactive Association. From 2004 to 2006, Mr. Shi held the position of principal consultant in SA Consultants & Associates. Upon leaving his position at SA Consultants & Associates, Mr. Shi returned to Sunley Engineering & Construction Company Limited and Handy Construction Company Limited from 2006 to 2007 and 2007 to 2009, respectively, and served as safety manager. Since 2008, Mr. Shi holds the position of part time Factories and Industrial Undertakings safety auditor at Fugro Certification Services Limited. He is currently a director of Unibright Construction Company Limited, a company primarily engaged in the provision of construction consultancy services.

SENIOR MANAGEMENT

Mr. Tsang Kwok Ping ("Mr. Tsang"), aged 47, is currently a construction manager of the Group. Mr. Tsang was previously a site foreman of the Group and was subsequently promoted to the position of site agent in 2015 and to his current position as construction manager in 2017. Mr. Tsang is primarily responsible for daily monitoring and supervision of the operations of construction sites.

Mr. Tsang has approximately 29 years of experience in the construction industry. He began his career as a machinery operator in 1989 and worked at Hang Fai Engineering Company from 1989 to 1997. In 1997, Mr. Tsang joined Ming Lee Engineering as a machinery operator where he was responsible for the arrangement of machinery and operators. Mr. Tsang joined the Group in 2000 and has accumulated extensive experience in the operations of the foundation industry from working on various projects involving sheet piling, site formation, and ELS works.

Mr. Wong Kam Ki ("Mr. Wong"), aged 47, is a construction manager of the Group. Mr. Wong joined the Group as a site foreman in 2013 and was promoted to site agent of the Group in 2014 and to construction manager of the Group in 2017. Mr. Wong is primarily responsible for daily monitoring and supervision of the operations of construction sites.

Mr. Wong joined the Chevalier Group from 1990 as assistant leveller and was the assistant surveyor of the Chevalier Group when he left in 2001. Mr. Wong was then employed as assistant foremen from 2002 to 2007 at Chun Wo Construction & Engineering Co., Ltd. In September 2007, Mr. Wong joined China Metallurgical Group Corporation as foreman. Immediately prior to joining the Group, Mr. Wong held the position of general foreman at Lermond Engineering Limited from 2008 to 2013. As general foreman, Mr. Wong was responsible for arranging, coordination and supervision of different site construction activities to ensure the works meet required standards and are being carried out in compliance with the relevant safety and environmental requirements. Mr. Wong obtained the course for qualifying site supervisors as technically competent persons equivalent certificate (1) in 2002, where he completed various modules on site safety supervision, construction safety and construction supervision offered by the Construction Industry Training Authority. Furthermore, Mr. Wong satisfactorily completed the Construction Safety Supervisor Course offered by the Construction Industry Training Authority in 2003.

Mr. Wong Chi Wai ("Mr. Karl Wong"), aged 33, is the chief financial officer of the Group. Mr. Karl Wong joined the Group as an accountant in 2016 and designated as financial controller on 22 August 2016 and promoted to chief financial officer on 1 January 2018. Mr. Karl Wong is primarily responsible for overseeing the Group's financial operations, compliance matters and strategic management.

In February 2010, Mr. Karl Wong graduated from Curtin University of Technology with a Bachelor of Commerce degree in Accounting. Mr. Karl Wong has around 9 years of experience in accounting, auditing and financial management.

Prior to joining the Group, Mr. Karl Wong had worked for HLB Hodgson Impey Cheng Limited from 2011 to 2015 and his last position was senior accountant when he was promoted in 2013. He had also worked for Coface Greater China Services Limited as a management accountant from 2015 to 2016, where Mr. Karl Wong prepared and reviewed the financial and management reports for the Asia Pacific region.

COMPANY SECRETARY

Ms. Ng Hoi Ying ("Ms. Ng"), aged 32, was appointed as the company secretary of the Company (the "**Company Secretary**") on 1 March 2019. She obtained a degree of Bachelor of Business Administration in Accountancy from The Hong Kong Polytechnic University in 2008. She is currently a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Ng has over 10 years of experience in auditing, accounting and financial reporting. She worked as a senior auditor of Deloitte Touche Tohmatsu. Subsequently Ms. Ng worked as senior accountant in Asia Maritime Pacific (Hong Kong) Limited, a private company engaged in fleet operation of both owned and chartered-in Handy-size and mini-MPP vessels, which operate internationally in China, West Africa, Australia, South America and intra-Asia. She was the finance manager of Ngai Shun Construction & Drilling Company Limited which is a piling contractor for both private and public works in Hong Kong. Its holding company (Boill Healthcare Holdings Limited, formerly known as Ngai Shun Holdings Limited) has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1246) in October 2013. Ms. Ng is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to safeguard interest and sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has fully complied with the CG Code during the year ended 31 March 2019.

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**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code and there was no event of non-compliance during the year ended 31 March 2019.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives to which they report periodically to the Board their work and business decisions.

Board Composition

The composition of the Board as at the date of this annual report is set out as follows:

Executive Directors

Mr. Lee Kim Ming *(Chairman)*
Mr. Chan Siu Hung *(Chief Executive Officer)*

Independent non-executive Directors

Mr. Chong Kam Fung
Mr. Ho Chun Chung Patrick
Mr. Shi Wai Lim William

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 10 to 13 of this annual report.

DELEGATION BY THE BOARD (Continued)

Board Composition (Continued)

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensuring that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with the Company on 25 May 2017 and signed letters of appointment with each of the independent non-executive Directors. The service contracts with the executive Directors and the letter of appointment with each of our independent non-executive Directors are for an initial term of three years commencing from 28 December 2017. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable Listing Rules.

According to article 108 of the Company's articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the Company's articles of association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Mr. Chan and Mr. Chong will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 27 August 2019. Mr. Chan and Mr. Chong, both being eligible, will offer themselves for re-election.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not be performed by the same individual to avoid power being concentrated in any one individual. Mr. Lee is the Chairman of the Board and Mr. Chan is our Chief Executive Officer of the Company throughout the year.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors attended a formal directors training session conducted by CFN Lawyers during the year ended 31 March 2019. The training covered topics including the Listing Rules, the CG Code and the disclosure of inside information. The Group has also been provided reading materials including the CG Code, the Inside Information Provision (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to all Directors to develop and refresh the Director's knowledge and skills.

The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, so as to ensure that he is aware of his responsibilities and obligations as well as to maintain good corporate governance practices.

BOARD COMMITTEES

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

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

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

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

Remuneration Committee

The Remuneration Committee was established on 4 December 2017. The chairman of the Remuneration Committee is Mr. Chong, our independent non-executive Director, and other members includes Mr. Lee, our Chairman and executive Director, Mr. Ho and Mr. Shi, our independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2019. No Director nor any of his associates is involved in deciding his own remuneration.

Nomination Committee

The Nomination Committee was established on 4 December 2017. The chairman of the Nomination Committee is Mr. Lee, our Chairman and executive Director, and other members included Mr. Chong, Mr. Ho and Mr. Shi, our independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

Pursuant to the board diversity policy (the "**Board Diversity Policy**") of the Company a number of perspectives are taken into account when designing the composition of the Board including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Audit Committee

The Audit Committee was established on 4 December 2017. The chairman of the Audit Committee is Mr. Ho, our independent non-executive Director, and other members included Mr. Chong and Mr. Shi, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

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

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

During the year, the Audit Committee held three meetings to review and comment on the Company's 2018 annual results and 2018 interim results as well as the Company's internal control procederes and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

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

Details of all Directors' attendance at the Board meeting, Board committees' meeting for the year ended to 31 March 2019 are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2018 Annual General Meeting
			Number of Meetings Attended/Held		
Executive Directors					
Mr. Lee Kim Ming	4/4		1/1	2/2	1/1
Mr. Chan Siu Hung	4/4				1/1
Independent non-executive Directors					
Mr. Chong Kam Fung	4/4	3/3	1/1	2/2	1/1
Mr. Chung Yan Yee Andrew (resigned on 31 October 2018)	1/4	1/3	1/1	1/2	1/1
Mr. Ho Chun Chung Patrick	4/4	3/3	1/1	2/2	1/1
Mr. Shi Wai Lim William	4/4	3/3	1/1	2/2	1/1

COMPANY SECRETARY

The Company Secretary assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company has engaged an external service provider, which assigned Ms. Ng as the Company Secretary in replacement of Ms. Tam Kwai Heung with effect from 1 March 2019. Ms. Ng possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Lee our Chairman and executive Director is the primary contact person who Ms. Ng contacts.

For the year ended 31 March 2019, Ms. Ng undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographic of Ms. Ng is set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

BOARD DIVERSITY POLICY

The Board adopted a Board Diversity Policy on 21 December 2018. The Company aims to set out the approach to achieve diversity on the Board and to recognise and embrace the benefits of having a diverse Board to enhance the quality of its performance. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the corporate governance report of the Board (the "**Corporate Governance Report**") annually.

Monitoring and Reporting

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy.

Review of the Board Diversity Policy

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

Disclosure of the Board Diversity Policy

A summary of the Board Diversity Policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 21 December 2018. A summary of the Nomination Policy, together with the selection criteria set for implementing the Nomination Policy, and the nomination procedure made towards achieving those objectives are disclosed as below.

Objectives of the Nomination Policy

The Nomination Policy set out the approach to assist the Nomination Committee in making recommendations to the Board on the appointment of Directors and succession planning for Directors.. It aims to provide the key selection criteria and principles to the Nomination Committee in making any such recommendations.

NOMINATION POLICY (Continued)

Selection Criteria

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the construction industry and other relevant sectors;

(c) commitment in respect of sufficient time, interest and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's articles of association and other applicable rules and regulations.

Nomination Procedures

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

1. The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration.

2. In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

3. In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

4. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

NOMINATION POLICY (Continued)

Review of Nomination Policy

The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Nomination Committee and approved by the Board.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 21 December 2018. According to the Dividend Policy, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Cayman Islands and the Company's Bye-laws. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

INDEPENDENT AUDITORS' REMUNERATION

Deloitte Touche Tohmatsu is appointed as the external auditor of the Company. The fee paid and payable in respect of audit services and non-audit services amounted to approximately HK$1,100,000 (2018: HK$1,000,000) and approximately HK$68,000 (2018: HK$2,150,000) respectively for the year ended 31 March 2019.

SHAREHOLDERS' RIGHT

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

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

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management system. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's assets at all times.

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

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

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

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2019 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

Under code provision C.2.5 of the CG Code, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the Audit Committee and the Board. In addition, the Audit Committee has communicated with external auditors of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

DISCLOSURE OF INSIDE INFORMATION

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

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

Key procedures in place include:

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

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

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

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

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Hong Kong Exchanges and Clearing Limited's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted 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.

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

(i) corporate communications such as annual reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website "www.hkexnew.hk" and the Company's website at "www.lingyui.com.hk";

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

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

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

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

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

During the year ended 31 March 2019, there was no change to the Company's memorandum and articles of association.

ABOUT THE REPORT

This report is the "Environmental, Social and Governance Report" (collectively the "**ESG Report**") published by the Group, which discloses the Group's measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders' confidence and understanding on the Group.

Reporting Standards

The ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") of the Stock Exchange set out in Appendix 27 of the Listing Rules. The ESG Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the ESG Report is derived from the Group's official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group.

Reporting Year

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 April 2018 to 31 March 2019 (the "**Reporting Period**"). This ESG Report is released annually by the Group for public review so as to improve the transparency and responsibility of information disclosure.

Reporting Scope

The Group is a Hong Kong-based contractor principally providing foundation works including ELS works, pile cap works and pile construction, site formation and works and other ancillary services for foundation projects in the private sector.

After the comprehensive completion of data collection system and the Group's deepening in its environmental, social and governance work, the Group has identified certain environmental, social and governance issues ("**ESG issues**") relevant to the Group, which have been assessed by considering their materiality and importance to the Group's principal activities, stakeholders as well as the Group. Those identified ESG issues and key performance indicators ("**KPIs**") have been disclosed in the ESG Report.

Stakeholder Engagement

The Stock Exchange has set forth four principles for reporting in the ESG Guide: materiality, quantitative, balance and consistency, which should form the basis for preparing the ESG Report. As the Stock Exchange emphasises, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

The Group believes that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of our environmental, social and governance ("**ESG performance**"), but also enables us to improve our performance based on their feedback. Therefore, the Group has engaged in open and regular communication with our stakeholder groups including shareholders, employees, customers, suppliers, sub-contractors, government and the media. Over the years, we have continued to fine-tune our sustainability focus, addressing pressing issues. The table below shows how we communicate with key stakeholder groups and their respective concerns.

Table 1: Stakeholders and engagement methods

Stakeholders	Interests and concerns	Engagement channels
Shareholders and investors	• Return on investment • Corporate strategy and governance • Risk mitigation and management	• Annual General Meeting • Interim and annual reports, corporate websites • Announcements, notices of meetings, circulars
Clients	• Robust project management • Full compliance with regulations • Sustainability performance of operations	• Interim and annual reports, corporate websites • Regular meetings and communication
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and well-being	• Provide leisure activities and increase cohesion • In-house training programmes • Performance reviews and appraisals • Promote career development and enhance competence at all levels
Suppliers	• Long-term partnership • Ethical business practices • Supplier assessment criteria	• Procurement processes • Audits and assessments
Sub-contractors	• Effective project management • Occupational health and safety • Ethical business practices • Sub-contractors assessment criteria	• Annual health, safety and environment seminars • Training sessions • Regular progress meetings • Audits and assessments

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions of stakeholders through different forms more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define the content of the ESG Report and presentation of the information that is more in line with the expectations of stakeholders.

ENVIRONMENT PROTECTION

Emissions

Emissions from the course of operation

Major emissions from construction sites are air pollutants, noise, waste and effluents. The Group manages these emissions and is committed to seeking practical means to reduce their impact to the environment.

To reduce the noise nuisance in the surrounding environment, the Group has implemented equipment which can be effectively silenced, such as low-noise transformers, air receivers and hand-held breakers. Where necessary, the Group applies construction noise permit for every site that passes different testing from Environmental Protection Department (i.e. acceptable noise levels, sound power levels for percussive piling and summation of noise levels). The Group recognizes that noise challenges are unique to each project and there is always room to further reduce noise in communities surrounding our sites.

To deal with the effluents from construction sites, the Group has developed a set of procedures which meet the requirements under Water Pollution Control Ordinance and its subsidiary regulation in order to obtain a licence granted under the Water Pollution Control Ordinance for each site if necessary. The Group will ensure that waste water arising from the execution of the contract will be minimized and treated to meet the license requirements. The Group aims to minimize various discharges from excavation work and/or bore piling activities to limit the impact to the environment, which includes siltation in drainage pipes which may lead to blockage and eventually flooding risks, visual nuisance and hazard to the aquatic life and increase in turbidity of the receiving water which may adversely affect the ecosystem.

The Group has established procedures to deal with any non-conformity. The principle corrective actions to rectify non-conformance includes (i) relevant personnel shall be notified immediately should any environmental incidents or complaints arise; (ii) the cause of such incidents or complaints shall be investigated and mitigation resources shall be proposed; and (iii) reporting to the management on problems found, causes identified, improvement actions implemented, intended and the actual effects and any necessary follow up actions being untaken.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations.

Emissions from vehicle usage

During our operation, the usage of private cars and light goods vehicles generate the emissions of nitrogen oxides (NO_x), sulphur oxides (SO_x) and Particulate Matters (PM). The approximate amount of NO_x, SO_x, and PM produced from our operation in Hong Kong are shown in the table below:

Table 2: Types of cars and air emissions

Types of Cars	2019 Number of cars	2018 Number of cars
Private cars	**31**	25
Light goods vehicles	**6**	4
Medium & heavy goods vehicles	**2**	2

Air Emissions	2019 Volume (tonnes)	2018 Volume (tonnes)
NO_x emissions	**1.67**	0.69
SO_x emissions	**0.0012**	0.0010
PM emissions	**0.120**	0.050

In respect of reducing the NO_x, SO_x and PM emissions, the Group is committed to implementing the efficient usage of private cars, light goods vehicles and medium & heavy goods vehicles. The Group has implemented the following measures so as to achieve the environmental friendly approach; i) Avoid peak hour traffic; ii) Encourage the use of public transport and iii) Utilize the vehicle usage by car pooling with different staff.

For the level of air emissions incurred by the Group in 2019, the NO_x, SO_x and PM have increased slightly, comparing to 2018, due to the employment of the additional private cars and light goods vehicles.

Greenhouse gas emissions

During the course of operation there are greenhouse gas emissions principally resulting from electricity consumed and the use of electricity for processing fresh water and sewage water in office and construction sites. In respect to the approximate indirect amount of carbon dioxide ("$\mathbf{CO_2}$") generated from our electrical usage in Hong Kong's office and construction sites, the figures are shown in the table below:

Table 3: Greenhouse gas emissions

Greenhouse gas emissions	2019 Volume (tonnes)	2018 Volume (tonnes)
CO_2 emissions – energy indirect emissions – generated from the use of electricity in office and construction sites	**48.63**	59.44
– Other indirect emissions-electricity for processing fresh water and sewage water in office and construction sites	**3.02**	11.82

Non-hazardous waste emissions

Table 4: Non-hazardous waste emissions

Type of non-hazardous waste	2019 Volume (tonnes)	2018 Volume (tonnes)
Inert construction and demolition ("**C&D**") waste	**73,191**	9,272
Non-inert C&D waste	**145**	39

According to the figures above, the emission for inert and non-inert C&D waste in 2019 have increased significantly. The reason is that the Group has performed more excavation works in 2019, producing different types of construction waste. This contributes to a higher figure in emissions of non-hazardous waste.

The Group will continue to reduce and minimize the generation of C&D waste materials in the execution of the works by implementing measures to reduce, reuse and recycle waste materials on and off site. Significant quantities of excavated materials will be generated from excavation associated with construction. The C&D waste materials would be reused in other projects when necessary. The inert C&D waste materials will be reused in the backfilling works on site if available.

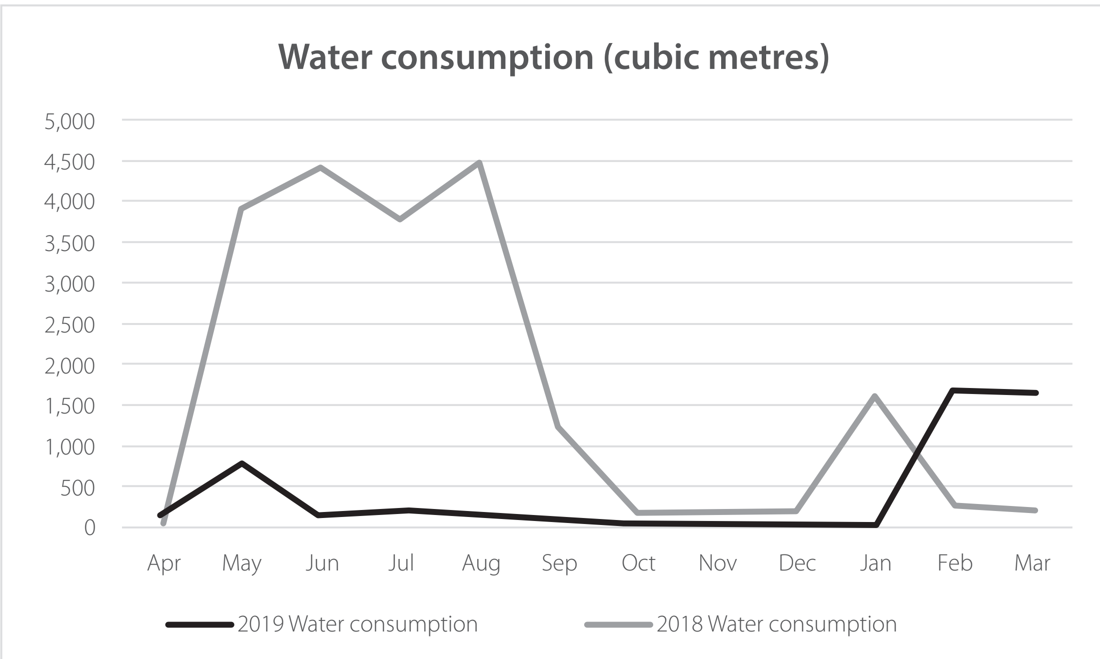
The rest of the unused inert and non-inert C&D waste materials are disposed through the dump trucks arranged by logistic service provider that is authorized by Environmental Protection Department and delivered to government construction waste disposal facilities. With the use of government authorized service provider, illegal dumping can be prohibited.

The Group is dedicated to proper management of the non-hazardous waste. Specific area is assigned for the temporary storage of the inert C&D waste and non-inert C&D waste.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of operation and vehicle usage.

Use of Resources

The resources most consumed by the Group are water and electricity in office and various project sites in Hong Kong. The Group records and analyzes the monthly consumption rate of water and electricity regularly. After identifying the causes of high rates of water and electricity consumption, the Group will take remedial action to minimize the use of water and electricity. From the graph below, it shows the monthly water consumption in cubic meters of the Group during the Reporting Period:



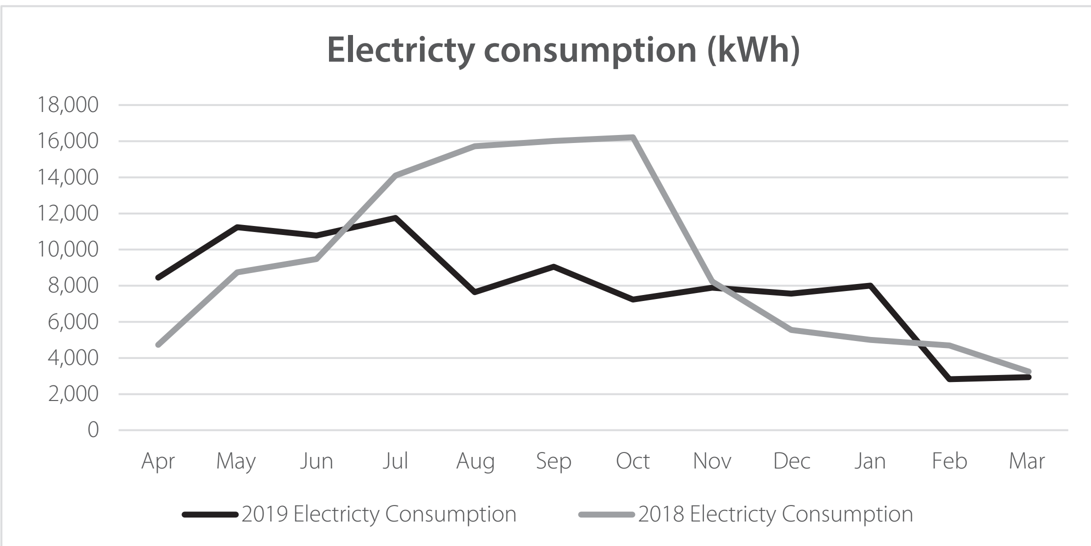
The total water consumption in cubic meters by region during the Reporting Period is shown in the table below:

Table 5: Water consumption

Region	2019 Water consumption (cubic metres)	2019 Intensity of water consumption per no. of projects (cubic metres)	2018 Intensity of water consumption per no. of projects (cubic metres)
Hong Kong	4,990	832	N/A

Compared to the last financial year, the water consumption in 2019 was subsequently dropped significantly compared to water consumption in 2018. The reason for the variance is that the site water meter of a particular project was borne by the Group in 2018. Since then, the site water meter of other projects are all borne by the main-contractors.

The Group determines to continue maximize energy conservation in its office and construction sites by promoting efficient use of power and adopting green technologies. To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The monthly electricity consumption in kilowatt hour (kWh) during the Reporting Period is shown below:



The reason for the variation of electricity consumption between 2018 and 2019 is similar to the one as explained above in variation of water consumption, that the site electricity consumption was borne by the Group for a particular project in 2018, from July to October. Except that, the electricity consumption in both years have remained at a steady level.

The total electricity consumption in kWh by region during the Reporting Period is shown in the table below:

Table 6: Electricity consumption

Region	2019 Electricity consumption (kWh)	2019 Intensity of electricity consumption per number of projects (kWh)	2018 Intensity of electricity consumption per number of projects (kWh)
Hong Kong	95,358	15,893	N/A

The Environment and Natural Resources

To develop a green approach in office and project sites, the Group has set up an environmental system management task force as part of its effort to develop an environmental management system that supports sustainable development, and has obtained ISO 14001 and ISO 9001 certification for environmental management system and quality management system respectively.

By the implementation of ISO14001 and ISO9001, the Group has given careful consideration to minimize all significant impact to the environmental resources. Environmental performance is monitored at a timely basis. We have developed the following measures for our daily operations so as to minimize the impact brought to the environment and nature resources consumption.

Implemented practice

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Maximize the use of nature light and energy-saving lighting systems
- Apply optima temperature setting of air-conditioning
- Encourage duplex printing
- Reuse of single-side used paper

As a socially responsible enterprise, protecting nature and the environment has become an integral part of our corporate culture. The Group constantly looks for ways to maximize benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

PEOPLE

Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and dismissal, recruitment and promotion, working hours, appraisal, training and benefits.

As the Group is principally engaged in construction in Hong Kong, manual work is generally required in most positions. Hence, the ratio of the number of male to female employees is approximately 17:1 in 2019 (2018: 15:1). However, the Group treats all employees equally. The Group prohibits any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace. The above measures have helped ensuring that every employee is treated equally and fairly.

A formal induction together with a tour of the workplace is provided to all employees on the first day of employment. The aim is to welcome the new employees and give them a better understanding about the Group. A brief introduction of employee handbook is provided to ensure new employees are aware of relevant policies and code of conduct.

The Group has always strictly observed the relevant legislations in Hong Kong regarding the equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance", "Occupational Safety and Health Ordinance" and "Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations" and etc. in Hong Kong.

The Group has its internal procedures to record employees' information in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure no employment of child labour and forced labour in any form. The Group also strives to establish harmonious labour relationships. We protect the rights of staff in terms of providing rest and leave days according to relevant government laws and regulations. Therefore, the percentage of new recruits to total number of employees and ratio of employee turnover to total number of employees are maintained at a low level generally.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices.

Employment Key Performance Indicators (Employee)

Table 7: Number of employees as at 31 March 2019

Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	2019 Ratio of number of male to female employees	2018 Ratio of number of male to female employees
Male	19	49	64	132	140	17: 1	15: 1
Female	–	7	1	8			
Total	19	56	65	140			

Table 8: Employee recruited during the Reporting Period

Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	Total number of new recruits	2019 Percentage of new recruits to total number of employees	2018 Percentage of new recruits to total number of employees
Male	12	24	42	78	87	62%	51%
Female	–	7	2	9			
Total	12	31	44	87			

Table 9: Employee turnover during the Reporting Period

Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	2019 Ratio of employee turnover to total number of employees	2018 Ratio of employee turnover to total number of employees
Male	5	17	17	39	46	33%	51%
Female	1	3	3	7			
Total	6	20	20	46			

Health and Safety

The Group recognizes safety and health at work as an integral part of its business performance. The Group has established the Occupational Health and Safety (OHS) Manual which is prepared in accordance with OHSAS18001 to manage the health and safety risks of its operations.

The Group strictly requires all employees to comply with the safety policy and guidelines in the Occupational Health and Safety Management System which is included in the employee handbook for on-site construction teams and employees working in offices, both of which clearly specify work flows, all kinds of safety measures and guidance as well as employees' responsibilities for their health and safety at our workplace.

The Group has established a risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits.

Employees receive "site specific induction training" soon after commencing work in the workplace. Thereafter, they are given refresher talks at intervals of six months depending on the amount of changes to the site condition. The Group also provides tool-box talks, aiming to heighten employee awareness of workplace hazards and OSH Regulations.

Daily operations are inspected by relevant department assigned by the Group, against the established risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits. Any non-compliance will also be identified and rectified on a timely basis.

Thus, it is a proof of guaranteeing the establishment of a healthy, safe and stable working environment effectively.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the Reporting Period was nil (2018: nil).

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

Development and Trainings

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in job-related training and courses. During the Reporting Period, we formulate quality management and environment management training programs to update our staff with the most updated standard of ISO9001 and ISO14001, in order to maintain the highest standard of professionalism by our employees. These two programs include quality assurance training in operation process, inspection assurance of materials received from suppliers, health and safety precautions in using production equipment and machinery as well as customer relationship management.

In daily operation, the Group provides induction training for new employees and experienced employees act as mentors to guide new comers. We believe such arrangement can be the best practice to facilitate communication and team spirit, encourage the learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which we believe that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

Table 10: Training and Development Key Performance Indicators (Employees)

Trained staff	Senior managerial level	Managerial level	General staff	Percentage of employees receiving training by gender	2019 Overall percentage of employees receiving training	2018 Overall percentage of employees receiving training
Male	100%	55%	98%	84%	81%	94%
Female	N/A	0%	100%	38%		

Average training hours	Senior managerial level	Managerial level	General staff	Average training hours by gender	2019 Overall average training hours	2018 Overall average training hours
Male	8 hour	4.4 hours	2.1hours	3.1 hours	2.9 hours	4.8 hours
Female	N/A	0 hours	2.3 hours	0.9 hours		

Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance in Hong Kong. We have also developed rigorous and systematic measures for approval and selection, to prevent ourselves from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges the employees' working hours based on the statutory working hour standards and allows them to entitle paid leaves and sick leaves in accordance with labour laws.

During the Reporting Period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

Supply Chain Management

The Group implements supplier management in accordance with internal guidance which governs the engagement of suppliers/sub-contractors. Suppliers/sub-contractors are chosen subjecting to screening and evaluation procedures among the suppliers/sub-contractors, based on the quality and price. Also, to ensure suppliers'/sub-contractors' capability in quality assurance, safety and environmental responsibility, field visit and investigation is conducted, which includes a comprehensive quality management system and are accredited with ISO 9001 and ISO 14001 standards. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers/sub-contractors complied with regulatory requirements are eligible for the suppliers/sub-contractors selection by the Group. The Group also carries out regular assessment on suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and regulations.

As customers are becoming more concerned about environmental issues, and stress the importance of using environmentally friendly materials. The Group will continue to act as a corporate citizen in communicating and stressing those environmental issues to our suppliers/sub-contractors. We aim at strengthening the cooperation with suppliers, coordinating with them in product trials, and work with them to produce socially responsible products.

Each sub-contractors and suppliers are reviewed at least once every year or after completion of their contracts. In cases of major non-performance of approved sub-contractor or supplier, the Group will review their suitability to remain on the selection list.

Product Responsibility

The Group is committed to providing high-quality services and guarantees that the quality of our projects is in line with quality standards and sustainability requirements. We also pursue to meet higher criteria all the time. The Group has always been focusing on quality control in project construction since its incorporation. In respect of human resources, we have a team of project managers with rich experience in undertaking various pile work construction projects. In respect of systems, we own a quality management system in accordance with the ISO9001, ISO14001 and OHSAS 18001 standard, which establishes the procedure to manage the non-conformity detected during construction process. When non-conforming work is identified, the Group will review the situation and stop these below standard works from continuing or re-occurring. If the defect is likely to recur, the Group will require remedial action by the sub-contractor and shall more closely supervise this work whenever practicable. The Group also carries out trainings and established a management system covering various aspects including management of quality of construction staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of our projects.

Anti-corruption

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the line manager or designated officers in relation to any misconduct and dishonest behavior, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employees handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During the Reporting Period, we have complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

Community Investment

The Group devotes to the community in order to show the love and care for people in need and encourages the employees to participate in in-house or external community activities. During the Reporting Period, the Group sponsored Sha Tin District Community Fund, a non-profit making registered charity in Hong Kong. Sha Tin District Community Fund is a well-developed organization that has been participated in numerous social work, including volunteering, community health & care, organ donation and health training, etc.

The Group will continue to explore other means to contribute more to the environment and strive to facilitate the building of a healthy and sustainable society.

Environmental performance indicators have been summarized in the following tables.

Table 11: Environmental performance indicators

Aspect A1: Emissions				
Performance indicator		**2019 Data**	**2018 Data**	**HKEx ESG Reporting Guide KPI**
Emissions	Total NO_x emissions (tonnes)	1.67	0.69	KPI A1.1
	Total PM emissions (tonnes)	0.12	0.05	KPI A1.1
	Total SO_x emissions (tonnes)	0.0012	0.0010	KPI A1.1
	Total CO_2 generated equivalent emissions (tonnes)	51.65	71.26	KPI A1.2
Non-hazardous waste	Inert C&D waste (tonnes)	73,191	9,272	KPI A1.4
	Non-inert C&D waste (tonnes)	145	39	KPI A1.4

Aspect A2: Use of resources				
Performance indicator		**2019 Data**	**2018 Data**	**HKEx ESG Reporting Guide KPI**
Electricity	Total electricity consumption (kWh)	95,358	111,726*	KPI A2.1
Water	Total water consumption (cubic meters)	4,990	20,642*	KPI A2.2

* Certain comparative figures have been adjusted to conform with the current year's presentation

Table 12: Social performance indicators

Aspect B1: Employees				
Performance indicator		**2019 Data**	**2018 Data**	**HKEx ESG Reporting Guide KPI**
Employee recruited	Gender:			KPI B1.1
	– Male employees (per person)	78	54	
	– Female employees (per person)	9	2	
Number of employees as at 31 March 2019	Gender of employee:			KPI B1.1
	– Male employees (per person)	132	103	
	– Female employees (per person)	8	7	
	Age			KPI B1.1
	– Below 30 years old (per person)	19	17	
	– Between 30 to 50 years old (per person)	56	52	
	– Over 50 years old (per person)	65	41	
Employee turnover	Gender			KPI B1.2
	– Male employees (per person)	39	53	
	– Female (per person)	7	3	
	Age			KPI B1.2
	– Below 30 years old (per person)	6	7	
	– Between 30 to 50 years old (per person)	20	18	
	– Over 50 years old (per person)	20	31	

Aspect B2: Health and safety			
Performance indicator	**2019 Data**	**2018 Data**	**HKEx ESG Reporting Guide KPI**
Number of work injuries (per person)	Nil	Nil	KPI B2.1
Rate of work injury (per hundred employees)	Nil	Nil	KPI B2.1

Aspect B3: Development and training				
Performance indicator		**2019 Data**	**2018 Data**	**HKEx ESG Reporting Guide KPI**
The percentage of employees trained	Gender			KPI B3.1
	– Male employees (percentage)	84%	99%	
	– Female employees (percentage)	38%	50%	
Average training hours completed per employee	Gender			KPI B3.2
	– Male employees (hours)	3.1	2.8	
	– Female employees (hours)	0.9	2.0	

The Board presents the annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands. The principal activity of the Company is investment holding. The Group is principally engaged in provision of foundation engineering services in Hong Kong. Details of the principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2019.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 and the state of affairs of the Company and of the Group at that date are set out in the consolidated statements of comprehensive income on pages 53 to 109 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 27 August 2019 (the "**AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 22 August 2019 to 27 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 21 August 2019.

BUSINESS REVIEW

The review of the business of the Group during the year ended 31 March 2019 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report, and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed, "Management Discussion and Analysis" in this annual report. The financial risk management objectives and policies of the Group are set out in note 28 to the consolidated financial statements. Save as otherwise disclosed in this annual report, there was no important event affecting the Group that has occurred since the end of the financial year ended 31 March 2019 and up to the date of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 110. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 March 2019 amounted to approximately HK$50,000 (2018: approximately HK$21,600).

SHARE CAPITAL

Details of the Company's share capital is set out in note 25 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 4 December 2017. The terms of the Share Option Scheme are in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. A summary of the particulars of the Share Option Scheme as required under Rule 17.09 of the Listing Rule are set out in note 26 to the consolidated financial statements.

For the year ended 31 March 2019, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Share Option Scheme.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

PRE-EMPTIVE RIGHTS

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

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 March 2019 are set out in note 33 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution to owners comprising share premium account and accumulated profits, amounted to approximately 157.0 million (2018: 179.0 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 64.4%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 94.4%.

During the year ended 31 March 2019, the percentage of the Group's largest supplier was approximately 9.7% of the total direct costs for the period, while the percentage of the Group's five largest suppliers accounted for approximately 15.0% of the total direct costs.

During the year ended 31 March 2019, the percentage of the Group's largest subcontractor was approximately 18.7% of the total direct costs for the period, while the percentage of the Group's five largest subcontractors accounted for approximately 36.0% of the total direct costs.

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

DIRECTORS

The Board members during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Lee Kim Ming *(Chairman)*
Mr. Chan Siu Hung *(Chief Executive Officer)*

Independent non-executive Directors

Mr. Chong Kam Fung
Mr. Chung Yan Yee Andrew (resigned on 31 October 2018)
Mr. Ho Chun Chung Patrick
Mr. Shi Wai Lim William

In accordance with the Company's memorandum and articles of association, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries had entered into any contract of significance with the controlling shareholders (as defined in the Listing Rules) of the Company (the "**Controlling Shareholders**") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 13 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 9 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2019 falls within the following band:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	3

EMOLUMENT POLICY

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

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

RETIREMENT BENEFITS PLANS

Details of retirement benefits plans of the Group as at 31 March 2019 are set out in note 34 to the consolidated financial statements.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transaction disclosed in note 33 to the consolidated financial statements, no Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2019.

MANAGEMENT CONTRACTS

During the year ended 31 March 2019, the Company did not enter into or had any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in 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, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2019.

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

As at 31 March 2019, the following Directors or chief executive of the Company had or was deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules:

Long positions in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature	Number of Shares held/Interested	Approximate percentage of shareholding
Mr. Lee *(Note 1)*	Interest of controlled corporation	542,910,000	67.86%
Mr. Chan *(Note 2)*	Interest of controlled corporation	57,090,000	7.14%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Notes:

(1) Mr. Lee legally and beneficially owns the entire issued share capital of Simple Joy Investments Limited ("**Simple Joy**"). Therefore, Mr. Lee is deemed, or taken to be, interested in all the shares held by Simple Joy for the purpose of the SFO. Mr. Lee is the sole director of Simple Joy.

(2) Mr. Chan legally and beneficially owns the entire issued share capital of Simply Marvel Limited ("**Simply Marvel**"). Therefore, Mr. Chan is deemed, or taken to be, interested in all the shares held by Simply Marvel for the purpose of the SFO. Mr. Chan is the sole director of Simply Marvel.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 31 March 2019, the following persons/entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Long positions in Shares and underlying Shares of the Company

Name	Capacity/Nature	Number of Shares held/Interested	Approximate percentage of shareholding
Simple Joy	Beneficial Owner	542,910,000	67.86%
Ms. Yeung Yuen Man *(Note 1)*	Interest of spouse	542,910,000	67.86%
Simply Marvel	Beneficial Owner	57,090,000	7.14%
Ms. Fu Jingyan *(Note 2)*	Interest of spouse	57,090,000	7.14%

Notes:

(1) Ms. Yeung Yuen Man ("**Ms. Yeung**") is the spouse of Mr. Lee. Under the SFO, Ms. Yeung is deemed to be interested in the same number of shares in which Mr. Lee is interested.

(2) Ms. Fu Jingyan ("**Ms. Fu**") is the spouse of Mr. Chan. Under the SFO, Ms. Fu is deemed to be interested in the same number of shares in which Mr. Chan is interested.

Save as disclosed above, as at 31 March 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' Report – Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had any interest or a short position in the share or Underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPETING BUSINESS

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

Non-Competition Undertakings

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Lee and Simple Joy (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 4 December 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

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

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

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

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

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 24 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed minimum public float under the Listing Rules during the year ended 31 March 2019 and up to the date of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2019 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company. The Company has not changed its external auditor in any of the preceding three years.

ON BEHALF OF THE BOARD
Ling Yui Holdings Limited
Lee Kim Ming
Chairman and Executive Director

Hong Kong, 25 June 2019

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Ling Yui Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 109, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue and direct costs from foundation engineering services contracts	

We identified the recognition of revenue and direct costs from foundation engineering services contracts as a key audit matter due to the use of judgment and estimates by management of the Group in determining the progress and outcome of the foundation engineering services contracts, contract revenue and budget direct costs of incomplete contracts.
 	
During the year ended 31 March 2019, the Group generated revenue of HK$289,212,000 from foundation engineering services contracts as disclosed in consolidated statement of profit or loss and other comprehensive income.
 	
The Group recognised contract revenue and direct costs according to the management's estimation of the progress and outcome of the foundation engineering services contracts. As disclosed in note 5 to the consolidated financial statements, budgeted direct costs are prepared by the management of the Group on the basis of the agreements, quotations or other correspondences from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management of the Group, which involve management's best estimates and judgments. The actual outcome of the contract in terms of its total revenue and direct costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.
	Our procedures in relation to recognition of revenue and direct costs from foundation engineering services contracts included:
	
	• Understanding management's process in estimating the contract revenue, budget direct costs and determining the completion status of construction activities;
	
	• Checking the total contracts value to construction contracts and other relevant correspondences and supporting documents, on a sample basis;
	
	• Evaluating the reasonableness of the budgeted direct costs including (i) agreeing the budgeted direct costs to the underlying subcontracting or supplier/vendor contracts; (ii) comparing the budgeted data with the actual data recorded, taking into account the progress and outcome of the foundation engineering services contracts reached; and (iii) comparing the estimated profit margin with the actual profit margin of other similar projects;
	
	• Evaluating the reasonableness of direct costs recognised to date by:
	
	  • Checking to the Group's internal progress report as well as other supporting documents including the payment certificates issued to the subcontractors/suppliers/vendors and their correspondences or other documents issued before and subsequent to year end date to evaluate the progress of respective projects, on a sample basis; and
	
	  • Discussing the status of respective foundation engineering services contracts with project managers of the Group, on a sample basis.

KEY AUDIT MATTERS (Continued)

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 involvement of subjective judgement 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 net trade receivables and contract assets amounted to HK\$42,842,000 (net of impairment loss allowance of HK\$1,016,000) and HK\$99,106,000 (net of impairment loss allowance of HK\$1,095,000), respectively and out of these balances, trade receivables of HK\$8,135,000 were past due. As explained in note 3 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" and recognised an additional impairment of HK\$188,000 and HK\$1,311,000 for trade receivables and contract assets as at 1 April 2018 in accordance with the transitional provisions of HKFRS 9. As disclosed in note 5 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, aging, repayment history and/or past due status of respective trade receivables and contract assets. An estimated loss rate is applied to each group of internal credit rating. The estimated loss rates are estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort. As disclosed in notes 15, 18 and 28 to the consolidated financial statements, the Group recognised an additional amount of HK\$567,000 for impairment of trade receivables and reversed an amount of HK\$216,000 for impairment of contract assets for the year and the Group's lifetime ECL on trade receivables and contract assets as at 31 March 2019 amounted to HK\$1,016,000 and HK\$1,095,000, respectively.	Our procedures in relation to impairment assessment of trade receivables and contract assets included: • Obtaining an understanding of how the management estimates the loss allowance for trade receivables and contract assets; • Testing the integrity of information used by management for the assessment, including aging analysis of trade receivables as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 1 April 2018 and 31 March 2019, including their identification of credit impaired trade receivables and contract assets, and the basis of estimated loss rates applied in each category (taking into consideration past payment histories and proxy to default rates published by international credit rating agencies and forward-looking information that is available without undue cost or effect); and • Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in notes 15, 18 and 28 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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 Tsang Yiu Chung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 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	**289,212**	331,112
Direct costs		**(288,337)**	(278,078)
Gross profit		**875**	53,034
Other income	7	**1,175**	1,426
Other gains	7	**–**	2,913
Impairment loss allowance of trade receivables and contract assets		**(351)**	(261)
Administrative expenses		**(24,027)**	(21,872)
Listing expenses		**–**	(10,849)
Finance costs	8	**(1,931)**	(1,203)
(Loss) profit before taxation	10	**(24,259)**	23,188
Income tax credit (expense)	11	**3,766**	(5,827)
(Loss) profit and total comprehensive (expense) income for the year		**(20,493)**	17,361
(Loss) profit and total comprehensive (expense) income attributable to:			
Owners of the Company		**(20,493)**	15,187
Non-controlling interests		**–**	2,174
		(20,493)	17,361
(Loss) earnings per share			
Basic (HK$ cents)	13	**(2.6)**	2.2

Consolidated Statement of Financial Position

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment	14	**64,389**	39,958
Deposits	16	**3,898**	876
		68,287	40,834
Current assets			
Trade receivables	15	**42,842**	24,229
Deposits, prepayments and other receivables	16	**4,913**	5,189
Tax recoverable		**2,610**	3,579
Amounts due from customers for contract work	17	**–**	108,270
Contract assets	18	**99,106**	–
Pledged bank deposits	19	**–**	3,500
Bank balances and cash	19	**26,367**	47,722
		175,838	192,489
Current liabilities			
Trade payables	20	**60,963**	39,373
Other payables and accrued charges	21	**27,078**	21,187
Obligations under finance leases	22	**13,745**	4,599
Amounts due to customers for contract work	17	**–**	2,443
Bank borrowings	23	**31,817**	32,921
		133,603	100,523
Net current assets		**42,235**	91,966
Total assets less current liabilities		**110,522**	132,800
Non-current liabilities			
Deferred tax liabilities	24	**1,137**	4,973
Obligations under finance leases	22	**4,531**	981
		5,668	5,954
Net assets		**104,854**	126,846
Capital and reserves			
Share capital	25	**8,000**	8,000
Reserves		**96,854**	118,846
Total equity		**104,854**	126,846

The consolidated financial statements on page 53 to 109 were approved and authorised for issue by the Board of Directors on 25 June 2019 and are signed on its behalf by:

Mr. Lee Kim Ming	**Mr. Chan Siu Hung**
Director	Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017	148	–	(2,110)	62,303	60,341	5,875	66,216
Profit and total comprehensive income for the year	–	–	–	15,187	15,187	2,174	17,361
Transfer upon Reorganisation (Note)	(148)	66,217	(58,020)	–	8,049	(8,049)	–
Issue of shares upon share offer (note 25(iv))	1,400	68,600	–	–	70,000	–	70,000
Capitalisation issue (note 25(iii))	6,600	(6,600)	–	–	–	–	–
Transaction cost directly attributable to issue of shares	–	(4,850)	–	–	(4,850)	–	(4,850)
Dividends paid (note 12)	–	–	–	(21,881)	(21,881)	–	(21,881)
At 31 March 2018	8,000	123,367	(60,130)	55,609	126,846	–	126,846
Adjustments (note 3)	–	–	–	(1,499)	(1,499)	–	(1,499)
At 1 April 2018 (restated)	8,000	123,367	(60,130)	54,110	125,347	–	125,347
Loss and total comprehensive expense for the year	–	–	–	(20,493)	(20,493)	–	(20,493)
At 31 March 2019	8,000	123,367	(60,130)	33,617	104,854	–	104,854

Note: Other reserve represents (i) the difference between the aggregate amount of share capital of Smart Sage (as defined in note 2) and Southern Sun (as defined in note 2) issued, and the net asset values of Ming Lee Foundation (as defined in note 2) and Ming Lee Engineering (as defined in note 2) in connection with the group reorganisation as disclosed in note 2 on 30 March 2017, and (ii) the difference between the aggregate amount of combined share capital of the Company issued, and the net asset values of Smart Sage and Southern Sun and non-controlling interests to the Group (as defined in note 1), upon completion of Reorganisation as disclosed in note 2(vii) on 4 December 2017.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(24,259)**	23,188
Adjustments for:		
Depreciation of property and equipment	**9,146**	6,272
Gain on disposal of property and equipment	**–**	(2,913)
Interest income	**(115)**	(15)
Finance costs	**1,931**	1,203
Impairment loss allowance of trade receivables and contract assets	**351**	261
Operating cash flows before movements in working capital	**(12,946)**	27,996
Increase in amounts due from/to customers for contract work, net	**–**	(53,175)
Decrease in contract assets	**8,069**	–
Decrease in contract liabilities	**(2,443)**	–
Increase in trade receivables	**(19,368)**	(15,145)
(Increase) decrease in deposits, prepayments and other receivables	**(3,307)**	563
Increase (decrease) in trade payables	**21,590**	(2,397)
Increase in other payables and accrued charges	**5,891**	10,450
Cash used in operations	**(2,514)**	(31,708)
Income tax refund (paid)	**899**	(10,090)
NET CASH USED IN OPERATING ACTIVITIES	**(1,615)**	(41,798)
INVESTING ACTIVITIES		
Interest received	**–**	15
Advance to a director	**–**	(2,831)
Placement of pledged bank deposits	**–**	(3,500)
Withdrawal of pledged bank deposits	**3,500**	–
Purchases of property and equipment	**(7,415)**	(25,708)
Deposits paid for acquisition of property and equipment	**–**	(676)
Proceeds from disposals of property and equipment	**–**	13,100
NET CASH USED IN INVESTING ACTIVITIES	**(3,915)**	(19,600)
FINANCING ACTIVITIES		
Interest paid	**(1,931)**	(1,203)
Repayment of bank borrowings	**(61,914)**	(43,109)
New bank borrowings raised	**60,810**	69,887
Repayment of finance leases	**(12,790)**	(12,874)
Proceeds from issue of shares upon share offer	**–**	70,000
Share issue cost paid	**–**	(4,850)
Dividends paid	**–**	(1,893)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(15,825)**	75,958
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(21,355)**	14,560
CASH AND CASH EQUIVALENTS AT 1 APRIL	**47,722**	33,162
CASH AND CASH EQUIVALENTS AT 31 MARCH		
represented by bank balances and cash	**26,367**	47,722

1. GENERAL

Ling Yui Holdings Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 24 January 2017 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2017. The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong of the Company is located at Units 1702-03, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong. The immediate holding company of the Company is Simple Joy Investments Limited ("**Simple Joy**"), which is incorporated in the British Virgin Islands ("**BVI**") with limited liability and is wholly owned by Mr. Lee Kim Ming ("**Mr. Lee**") who is also the executive director of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of foundation engineering services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Group.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared based on 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" ("**AG 5**") issued by the HKICPA.

Historically, Mr. Lee owned 100% equity interest in Ming Lee Foundation Company Limited ("**Ming Lee Foundation**") and 50% equity interest in Ming Lee Engineering Company Limited ("**Ming Lee Engineering**"). Remaining 50% equity interest in Ming Lee Engineering are owned by Ms. Yeung Yuen Man ("**Ms. Yeung**"), the spouse of Mr. Lee and Ms. Yeung held the interest of Ming Lee Engineering on behalf of Mr. Lee. On 27 August 2015, Mr. Chan Siu Hung ("**Mr. Chan**") entered into a sale and purchase agreement with Mr. Lee to acquire 10% interest of Ming Lee Foundation at a cash consideration of HK$5,000,000 from Mr. Lee. Upon the completion of the transfer, Mr. Chan owned 10% equity interest in Ming Lee Foundation. Before the reorganisation ("**Reorganisation**") as described below, Ming Lee Engineering and Ming Lee Foundation, the operating subsidiaries, were controlled by Mr. Lee.

In preparation of the listing of the Company's shares on the Stock Exchange (the "**Listing**"), the companies comprising the Group underwent the Reorganisation as described below.

(i) Smart Sage Limited ("**Smart Sage**") was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of United States Dollar ("**USD**") 1 each. One share of Smart Sage was allotted and issued at par to Simple Joy on 18 January 2017.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION (Continued)

(ii) Southern Sun Investment Limited ("**Southern Sun**") was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of USD 1 each. 90 and 10 shares of Southern Sun were allotted and issued at par to Simple Joy and Simply Marvel Limited ("**Simply Marvel**"), an entity incorporated in the BVI with limited liability and owned by Mr. Chan, respectively, on 18 January 2017.

(iii) The Company was incorporated on 24 January 2017 in the Cayman Islands with limited liability and with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One share of the Company was allotted and issued to the initial subscriber and was subsequently transferred to Simple Joy on 24 January 2017.

(iv) On 22 March 2017, Mr. Lee acquired one share in Ming Lee Engineering from Ms. Yeung, at a cash consideration of HK$1.

(v) On 30 March 2017, Smart Sage acquired entire equity interest of Ming Lee Engineering from Mr. Lee in consideration of the allotment and issue of 9,999 shares of Smart Sage to Simple Joy. Upon the completion of transfer, Ming Lee Engineering became the wholly-owned subsidiary of Smart Sage.

(vi) On 30 March 2017, Southern Sun acquired 90% and 10% equity interest of Ming Lee Foundation from Mr. Lee and Mr. Chan in consideration of the allotment and issue of 8,991 and 999 shares of Southern Sun to Simple Joy and Simply Marvel, respectively. Upon the completion of transfer, Simple Joy owned 90% equity interest in Ming Lee Foundation.

(vii) On 4 December 2017, the Company acquired 90% equity interest in Southern Sun and entire equity interest in Smart Sage in consideration of the allotment and issue of 9,134 shares of the Company to Simple Joy and the Company acquired 10% equity interest in Southern Sun on consideration of the allotment and issue of 865 shares of the Company to Simply Marvel. Upon the completion of the transfer, Southern Sun and Smart Sage became the wholly-owned subsidiaries of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 4 December 2017 and Ming Lee Foundation and Ming Lee Engineering are controlled by Mr. Lee before and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated financial statements have been prepared under the principles of merger accounting in accordance with the principles of merger accounting in accordance with AG 5 issued by the HKICPA. 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 Group for the year ended 31 March 2018 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 March 2018 or since their respective dates of incorporation, where there is a shorter period.

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

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

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

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

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

3.1 HKFRS 15 "Revenue from Contracts with Customers"

In the current year, the Group has applied HKFRS 15 for the first time applying the limited retrospective method with the cumulative effect of initial application recognised at the date of application, 1 April 2018. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations with no material effect on timing and amount of revenues recognised in these consolidated financial statements.

The Group recognises revenue from the foundation engineering services which arise from contracts with customers.

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 4 respectively.

Summary of effects arising from initial application of HKFRS 15

Based on the assessment by the directors of the Company (the "**Directors**"), there is no material impact of transition to HKFRS 15 on accumulated profits at 1 April 2018.

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

	NOTES	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018*
		HK$'000	HK$'000	HK$'000
Current assets				
Amounts due from customers for contract work	a	108,270	(108,270)	–
Contract assets	b	–	108,270	108,270
Current liabilities				
Amounts due to customers for contract work	a	2,443	(2,443)	–
Contract liabilities	b	–	2,443	2,443

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

Notes:

(a) *In relation to construction contracts previously accounted for under HKAS 11, the Group has applied input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK$108,270,000 and HK$2,443,000 of amounts due from/to customers for contract work were reclassified to contract assets and contract liabilities respectively. Included in the amounts due from customers for contract work, HK$31,585,000 were retention receivables arising from 19 contracts and conditional on the Group's achieving specified milestones as stipulated in the contracts.*

(b) *The balance represents net amount of the contract assets and liabilities with each of the relevant contract as at 1 April 2018.*

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" (Continued)

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

The following tables summarise the impacts of applying HKFRS 15 on the consolidated statement of financial position at 31 March 2019 and its consolidated statement of cash flows for the year then ended for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	NOTES	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets				
Contract assets	a & b	99,106*	(99,106)	–
Amounts due from customers for contract work	a & b	–	99,106	99,106

Impact on the consolidated statement of cash flows

	NOTES	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Decrease in contract assets	a & b	8,069*	(8,069)	–
Decrease in contract liabilities	a & b	(2,443)	2,443	–
Decrease in amounts due from/to customers for contract work, net	a & b	–	5,626	5,626

* *This amount includes the adjustment of impairment loss allowance of contract assets of HK$1,095,000 upon the application of HKFRS 9.*

Notes:

(a) *These adjustments mainly relate to balances presented as contract assets and contract liabilities under HKFRS 15 but would have been stated as amounts due from/to customers for contract work.*

(b) *The balance represents net amount of the contract assets with each of the relevant contracts as at 31 March 2019.*

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

3.2 HKFRS 9 "Financial Instruments"

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated 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 "Financial Instruments: Recognition and Measurement".

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

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

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

Impairment under ECL model

As at 1 April 2018, additional credit allowance of HK$1,499,000 has been recognised against accumulated profits. The additional loss allowance is charged against the respective asset.

The table below illustrates the lifetime ECL of trade receivables and contract assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Trade receivables HK$'000	Amounts due from customers for contract work (prior to the application of HKFRS 15)/ Contract assets (upon the application of HKFRS 15) HK$'000	Accumulated profits HK$'000
Closing balance at 31 March 2018 – HKAS 39	24,229	108,270	55,609
Effect arising from initial application of HKFRS 9:			
Remeasurement – impairment under ECL model	(188)	(1,311)	(1,499)
Opening balance at 1 April 2018	24,041	106,959	54,110

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

3.2 HKFRS 9 "Financial Instruments" (Continued)

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

Impairment under ECL model (Continued)

The Group applies simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, the trade receivables and contract assets have been assessed individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

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

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

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

	31 March 2018 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	**1 April 2018** **HK$'000** **(Restated)**
Current assets				
Trade receivables	24,229	–	(188)	**24,041**
Contract assets	–	108,270	(1,311)	**106,959**
Amounts due from customers for contract work	108,270	(108,270)	–	**–**
Current liabilities				
Contract liabilities	–	2,443	–	**2,443**
Amounts due to customers for contract work	2,443	(2,443)	–	**–**
Capital and reserves				
Accumulated profits	55,609	–	(1,499)	**54,110**

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

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[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 *Effective for annual periods beginning on or after 1 January 2019.*
2 *Effective for annual periods beginning on or after 1 January 2021.*
3 *Effective for annual periods beginning on or after a date to be determined.*
4 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after 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 new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable 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 interpretations when it becomes effective.

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)

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 the classification of cash flows, the Group currently presents 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 by the Group.

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$325,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$398,000 as rights 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. Adjustments to refundable rental deposits paid would be 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 elects the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group does not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 as lessee and recognises the cumulative effect of initial application to opening accumulated profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis 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 adopted are set out below.

Basis of consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are consolidated using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

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

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

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

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

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

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

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

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

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 April 2018)

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from foundation engineering service contracts is based on the progress and outcome of the foundation engineering services contracts at the end of the reporting period. The Group's policy for recognition of revenue from foundation engineering services is described in accounting policy for foundation engineering service contracts below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foundation engineering services contracts

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

Where the outcome of a foundation engineering services contract cannot be estimated reliably, contract revenue is recognised to the extent of direct costs incurred that it is probable will be recoverable. Direct costs are recognised as expense in the period in which they are incurred.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

An item of property 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 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.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the 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 individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (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. An impairment loss is recognized 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 in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contract with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at 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.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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)

Amortised cost and interest income

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

Impairment of financial assets (upon application 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 under HKFRS 9 (including trade receivables, deposits 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, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. 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 after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables and contract assets. An estimated loss rate is applied to each group of internal credit rating. The estimated loss rates are estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

(ii) Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external source indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument 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.

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

(v) Measurement and recognition of ECL

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

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

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 receivables and contract assets where the correspondence adjustment is recognised through a loss allowance account.

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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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 receivables, deposits and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

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 (befor application of HKFRS 9 on 1 April 2018)

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where 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 have been affected.

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

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

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

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 asset 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)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, 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

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

The Group's financial liabilities including trade payables, other payables and accrued charges and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Provisions

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

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

Payment for life insurance policy

Payment for life insurance policy is stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

Retirement benefits costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave after deducting any amount already paid.

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

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

The Group as lessor

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned at the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in finance costs in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss/profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 underlying 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 estimates 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 is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Foundation engineering services contracts

The Group reviews and revises the estimates of contract revenue, direct costs, variation orders and contract claims prepared for each foundation engineering services contract as the contract progresses. Budgeted direct costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

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

During the year ended 31 March 2019, revenue of HK$289,212,000 (2018: HK$331,112,000) from foundation engineering services contracts was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment assessment on trade receivables and contract assets

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, aging, repayment history and/or past due status of respective trade receivables and contract assets. An estimated loss rate is applied to each group of internal credit rating. The estimated loss rates are estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort.

At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 28, 15 and 18, respectively.

6. REVENUE AND SEGMENTAL INFORMATION

Revenue

For the year ended 31 March 2019

Revenue represents the net amounts received and receivable from the foundation engineering services provided by the Group to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these foundation engineering services based on the progress and outcome of the foundation engineering services contracts using input method.

Timing of revenue recognition and category of revenue

	2019 **HK$'000**
Recognised over time:	
Foundation engineering services	**289,212**

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the foundation engineering services are performed representing the Group's right to consideration for the services performed with reference to the proportion of direct costs incurred for work performed to date relative to the estimated total direct costs. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from 1 to 2 years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the foundation engineering services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Revenue (Continued)

For the year ended 31 March 2019 (Continued)

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

The transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

	Foundation engineering services HK$'000
Within one year	346,512
More than one year but not more than two years	66,000
	412,512

For the year ended 31 March 2018

Revenue represents the net amounts received and receivable from the foundation engineering services provided by the Group to customers.

	2018 HK$'000
Foundation engineering services	331,112

Segment information

The Group's revenue is solely derived from foundation engineering services in Hong Kong. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") representing the Directors review the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment amounting to HK$64,389,000 (2018: HK$39,958,000) are all located in Hong Kong by physical location of assets.

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A	–*	50,705
Customer B	186,279	170,618
Customer C	37,603	–*

* Less than 10% of the Group's total revenue for the year

7. OTHER INCOME AND OTHER GAINS

Other income

	2019 HK$'000	2018 HK$'000
Interest income	115	15
Income from sale of rock	165	974
Sundry income	895	437
	1,175	1,426

Other gains

	2019 HK$'000	2018 HK$'000
Gain on disposal of property and equipment	–	2,913

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Finance costs on:		
Obligations under finance leases	685	541
Bank borrowings	1,246	662
	1,931	1,203

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to the Directors and chief executive officer of the Group are as follows:

	Executive directors		Independent non-executive directors				
	Mr. Lee HK$'000	Mr. Chan HK$'000 (Note (i))	Mr. Chong Kam Fung HK$'000	Mr. Chung Yan Yee Andrew HK$'000 (Note (iii))	Mr. Ho Chun Chung Patrick HK$'000	Mr. Shi Wai Lim William HK$'000	Total HK$'000
Year ended 31 March 2019							
Fees	**–**	**–**	**180**	**105**	**180**	**180**	**645**
Other emoluments							
Salaries and other benefits	1,200	930	–	–	–	–	2,130
Bonus (Note (ii))	100	230	–	–	–	–	330
Retirement benefits scheme contributions	18	18	–	–	–	–	36
Total emoluments	1,318	1,178	180	105	180	180	3,141

	Executive directors		Independent non-executive directors				
	Mr. Lee HK$'000	Mr. Chan HK$'000 (Note (i))	Mr. Chong Kam Fung HK$'000	Mr. Chung Yan Yee Andrew HK$'000	Mr. Ho Chun Chung Patrick HK$'000	Mr. Shi Wai Lim William HK$'000	Total HK$'000
Year ended 31 March 2018							
Fees	–	–	47	47	47	47	188
Other emoluments							
Salaries and other benefits	750	960	–	–	–	–	1,710
Bonus (Note (ii))	–	146	–	–	–	–	146
Retirement benefits scheme contributions	18	18	–	–	–	–	36
Total emoluments	768	1,124	47	47	47	47	2,080

Note: (i) Mr. Chan acts as chief executive officer of the Group.
(ii) Bonus are determined based on financial performance of the Group.
(iii) Mr. Chung Yan Yee Andrew resigned as independent non-executive director on 31 October 2018.

The executive directors' emoluments are for their services in connection with the management of the affairs of the Group and the Company.

The independent non-executive directors' emoluments are for their services as Directors.

During the year, no remuneration was paid by the Group to any Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any remuneration during the year.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2018: two) individuals were the Directors whose emoluments were disclosed in note 9(a). The emoluments of the remaining three (2018: three) highest paid individuals for the year ended 31 March 2019 are follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**3,535**	2,628
Bonus *(Note)*	**545**	650
Retirement benefits scheme contributions	**54**	54
	4,134	3,332

Note: Bonus are determined based on financial performance of the Group.

Their emoluments were within the following bands:

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

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. (LOSS) PROFIT BEFORE TAXATION

	2019 HK$'000	2018 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,100**	1,000
Depreciation of property and equipment	**9,146**	6,272
Directors' remuneration (note 9)	**3,141**	2,080
Other staff costs		
Salaries and other benefits	**45,642**	39,986
Retirement benefits scheme contributions	**3,138**	2,750
Total staff costs	**51,921**	44,816
Minimum lease payments under operating leases in respect of:		
– land and buildings	**1,855**	1,852
– machineries and construction equipment	**1,521**	4,146
	3,376	5,998

11. INCOME TAX (CREDIT) EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax:		
Current tax	**88**	2,634
Overprovision in prior years	**(18)**	(112)
Deferred tax (note 24)	**(3,836)**	3,305
	(3,766)	5,827

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

The Directors considered the amount involved upon implementation of the two-tiered profits tax regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

11. INCOME TAX (CREDIT) EXPENSE (Continued)

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

	2019 HK$'000	2018 HK$'000
(Loss) profit before taxation	**(24,259)**	23,188
Tax at the domestic income tax rate	**(4,003)**	3,826
Tax effect of income not taxable for tax purpose	**(19)**	(2)
Tax effect of expenses not deductible for tax purpose	**550**	1,993
Overprovision in prior years	**(18)**	(112)
Others	**(276)**	122
Income tax (credit) expense	**(3,766)**	5,827

12. DIVIDENDS

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

On 6 December 2017, after the Reorganisation and prior to the Listing, the Company declared dividends of HK$21,881,000 to its then shareholders, with dividends attributable to Mr. Lee approximately HK$19,988,000 are settled through the current account with him.

13. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2019 HK$'000	2018 HK$'000
(Loss) earnings for the year for the purpose of calculating basic (loss) earnings per share attributable to owners of the Company	**(20,493)**	15,187

Number of shares

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**800,000**	696,055

13. (LOSS) EARNINGS PER SHARE (Continued)

For the year ended 31 March 2018, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue (as described in notes 2 and 25) had been effective on 1 April 2017.

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

14. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Machineries and construction equipment HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2017	527	25,893	178	9,084	35,682
Additions	–	33,347	–	1,551	34,898
Disposals/written-off	–	(15,572)	–	–	(15,572)
At 31 March 2018	527	43,668	178	10,635	55,008
Additions	–	33,283	–	294	33,577
Disposals/written-off	–	(758)	–	(52)	(810)
At 31 March 2019	527	76,193	178	10,877	87,775
DEPRECIATION					
At 1 April 2017	132	10,854	65	4,432	15,483
Provided for the year	176	3,959	35	2,102	6,272
Eliminated on disposals/written-off	–	(6,705)	–	–	(6,705)
At 31 March 2018	308	8,108	100	6,534	15,050
Provided for the year	176	6,758	35	2,177	9,146
Eliminated on disposals/written-off	–	(758)	–	(52)	(810)
At 31 March 2019	484	14,108	135	8,659	23,386
CARRYING AMOUNTS					
At 31 March 2019	43	62,085	43	2,218	64,389
At 31 March 2018	219	35,560	78	4,101	39,958

The above items of property and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvements	Over the lease terms
Machineries and construction equipment	4 to 10 years
Computer and office equipment	4 years
Motor vehicles	4 years

The net book value of machineries and construction equipment includes an amount of HK$30,602,000 (2018: HK$11,629,000) and the net book value of motor vehicles includes an amount of HK$878,000 (2018: HK$1,075,000), in respect of assets held under finance leases.

15. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	43,858	24,490
Less: impairment loss allowance	(1,016)	(261)
	42,842	24,229

The Group grants credit terms of 7 to 30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	2019 HK$'000	2018 HK$'000
0 – 30 days	34,707	20,854
31 – 60 days	2,332	3,375
61 – 90 days	5,258	–
91 – 365 days	–	261
Over 365 days	1,561	–
	43,858	24,490
Less: impairment loss allowance	(1,016)	(261)
	42,842	24,229

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 81% (2018: 86%) of trade receivables as at 31 March 2019, that are neither past due nor impaired, have good credit quality. These customers have no default of payment in the past.

Impairment assessment on trade receivables subject to ECL model

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated individually after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. An estimated loss rate is applied to each group of internal credit rating. The estimated loss rates are estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort.

As at 31 March 2019, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$8,135,000 which are past due as at the reporting date. Out of the past due balances, HK$1,561,000 has been past due 90 days or more and are not considered as in default by considering the expected subsequent settlement and historical repayment from these debtors.

The Group does not hold any collateral over these balances. Details of impairment assessment on trade receivables are set out in note 28.

15. TRADE RECEIVABLES (Continued)

Impairment assessment on trade receivables prior to application of HKFRS 9

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment including the creditworthiness and the past collection history of each customer.

As at 31 March 2018, included in the Group's trade receivables balance were debtors with aggregate carrying amount of HK$3,375,000 which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considered such balances have been subsequently settled. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables which are past due but not impaired

	2018 HK$'000
1 – 30 days	3,375
31 – 60 days	–
Total	3,375

Before the application of HKFRS 9 on 1 April 2018, in determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables past due but not provided for as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the management of the Group believes that no impairment required.

Movement in allowance for bad and doubtful debts

	2018 HK$'000
At 1 April	–
Impairment losses recognised	261
At 31 March	261

At 31 March 2018, allowance for bad and doubtful debts included individually impaired trade receivables with an aggregate balance of HK$261,000 which had been in severe financial difficulties. The Directors make impairment losses with reference to the present value of the estimated future cash flows that are expected to be recovered from these customers and consider adequate impairment losses have been made at the end of the reporting period. The Group does not hold any collateral over these balances.

15. TRADE RECEIVABLES (Continued)

Transfer of financial assets

The following were the Group's trade receivables as at 31 March 2019 that were transferred to banks by discounting trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured bank borrowings (see note 23). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2019 **HK$'000**	2018 HK$'000
Carrying amount of transferred assets	**26,319**	14,284
Carrying amount of associated liabilities	**21,901**	10,000

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Deposits for acquisition of property and equipment	**200**	876
Deposits	**3,762**	3,470
Receivable from the proceeds of disposal of property and equipment	**180**	280
Other receivables	**891**	1,315
Prepayments	**80**	124
Payment for life insurance policy *(note)*	**3,698**	–
Total	**8,811**	6,065
Presented as non-current assets	**3,898**	876
Presented as current assets	**4,913**	5,189
Total	**8,811**	6,065

Note:

During the year ended 31 March 2019, the Group entered into a life insurance policy with a bank to insure Mr. Ling Chi Fai, the General Manager of the Group, and paid a single premium of USD494,000 (equivalent to approximately HK$3,851,000) at inception.

Under the life insurance policy, the Group is the beneficiary and policy holder and the insured sum is USD1,000,000 (equivalent to approximately HK$7,800,000). The Group can, at any time, withdraw cash based on the account value of these policies ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of these policies. If withdrawal is made during the surrender period stated in the policy (i.e. between 1st and 18th policy year), there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest rate of 4.25% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 2% per annum) during the effective period of the policy.

The Directors consider that the Group will not terminate the policies nor withdraw cash prior to the end of the surrender period on the life insurance policy entered during the year ended 31 March 2020, accordingly, the amount is presented as non-current asset in the consolidated statement of financial position.

At the inception date, the gross premium paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policies.

The balance of the payment of life insurance policy is denominated in USD, being a currency other than the functional currency of the relevant group entity.

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2018 HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs plus recognised profits less recognised loss	434,332
Less: Progress billings	(328,505)
Total	105,827
Analysed as:	
Amounts due from customers for contract work	108,270
Amounts due to customers for contract work	(2,443)
	105,827

18. CONTRACT ASSETS

	31 March 2019 HK$'000	1 April 2018* HK$'000
Contract assets		
Foundation engineering services	**100,201**	108,270
Less: Impairment loss allowance	**(1,095)**	(1,311)
	99,106	106,959

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

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

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Foundation engineering services contracts

The Group's foundation engineering services contracts include payment schedules which require stage payments over the construction period with reference to the proportion of direct costs incurred for work performed to date relative to the estimated total direct costs. The Group typically transfer the contract assets to trade receivables when the rights become unconditional.

The Group also typically agrees to a retention period ranging from 1 year to 2 years for 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on completion of defect liability period. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

18. CONTRACT ASSETS (Continued)

Impairment assessment on contract assets subject to ECL model

Upon application of HKFRS 9 on 1 April 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of contract assets, contract assets have been assessed individually.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtors are assessed individually and grouped into three internal credit rating buckets (namely: Low risk, Watch list and Doubtful) after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective contract assets.

Details of impairment assessment on contract assets are set out in note 28.

Included in the contract assets as at 31 March 2019 was retention money of HK$48,928,000.

Retention money is unsecured and interest-free and represented the monies withheld by customers of contract works recoverable after the completion of default liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, being 1 year to 2 years from the date of completion of respective foundation engineering services projects. Accordingly, in respect to the incomplete projects at the end of the reporting period, the respective retention money is expected to be recovered beyond twelve months from the end of the reporting period.

	31 March 2019 HK$'000	1 April 2018* HK$'000
On demand or within one year	**23,344**	5,251
After one year	**25,584**	26,334
	48,928	31,585

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

19. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 March 2018, pledged bank deposits represent deposits pledged to a bank to secure the banking facilities granted to the Group, and carried with prevailing market interest rate of 0.01% per annum, such deposit was being withdrawn during the current year ended 31 March 2019.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate of 0.01% (2018: 0.01%) per annum.

20. TRADE PAYABLES

The credit period is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
0 – 30 days	35,261	30,937
31 – 60 days	17,904	7,195
Over 60 days	7,798	1,241
	60,963	39,373

21. OTHER PAYABLES AND ACCRUED CHARGES

	2019 HK$'000	2018 HK$'000
Accrued charges	7,603	5,630
Retention payable	19,475	15,557
	27,078	21,187

22. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its machineries and motor vehicles under finance leases with terms ranged from two to three years (2018: two to four years). The interest rates were ranged from 1.8% to 4.3% (2018: 2.3% to 4.3%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Amounts payable under finance leases:				
Within one year	14,194	4,772	13,745	4,599
More than one year but within two years	4,560	996	4,500	981
More than two years but within five years	31	–	31	–
	18,785	5,768	18,276	5,580
Less: Future finance charges	(509)	(188)	–	–
Present value of lease obligations	18,276	5,580	18,276	5,580
Less: Amounts due for settlement within one year (shown as current liabilities)			(13,745)	(4,599)
Amounts due for settlement after one year			4,531	981

As at 31 March 2019, the Group's obligations under finance leases were secured by the lessor's charge over the machineries and motor vehicles and were guaranteed by the corporate guarantee provided by the Company (2018: secured by the lessor's charge over the machineries and motor vehicles and were guaranteed by the Company).

23. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Guaranteed bank borrowings repayable within one year (included discounted bills with full recourse)		
– Secured	**21,901**	29,290
– Unsecured	**9,916**	3,631
	31,817	32,921

All bank borrowings contain repayment on demand clause and are repayable within one year based on scheduled repayment dates set out in the loan agreements.

The variable-rate bank borrowings bear interest ranged from Hong Kong Prime Rate minus 0.25% to Hong Kong Prime Rate minus 3.00% per annum (2018: Hong Kong Prime Rate minus 0.25% to Hong Kong Prime Rate minus 3.00% per annum).

The bank borrowings as at 31 March 2019 are secured by the life insurance policy of the Group and guaranteed by the corporate guarantees provided by the Company (2018: secured by pledged bank deposits amounting to HK$3,500,000 and guaranteed by the corporate guarantees provided by the Company).

As at 31 March 2019, the Group has discounted trade receivables with full recourse amounting to HK$26,319,000 (2018: HK$14,284,000) to banks for short term borrowings and the associated borrowings amounted to HK$21,901,000 (2018: HK$10,000,000).

The range of interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2019	2018
Effective interest rates per annum: Variable-rate borrowings	**2.00%-5.13%**	2.00%-4.75%

24. DEFERRED TAXATION

The followings are the major deferred tax liabilities recognised and movements thereon during both years:

	Tax loss recognised HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 April 2017	–	1,668	1,668
Charge to profit or loss	–	3,305	3,305
At 31 March 2018	–	4,973	4,973
(Credit) charge to profit or loss	(5,988)	2,152	(3,836)
At 31 March 2019	(5,988)	7,125	1,137

The Group has unused tax losses of approximately HK$36,293,000 (2018: nil) at 31 March 2019 which are available to offset against future profit which are subject to the confirmation from Hong Kong Inland Revenue Department and a deferred tax asset has been recognised accordingly.

25. SHARE CAPITAL

The share capital as at 1 April 2017 represented the combined share capital of Ming Lee Foundation and Ming Lee Engineering. The share capital as at 31 March 2018 and 2019 represented the share capital of the Company.

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

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 April 2017	38,000,000	380
Increase on 4 December 2017 *(note i)*	1,962,000,000	19,620
At 31 March 2018 and 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2017	1	–
Issued of new shares on Reorganisation *(note ii)*	9,999	–
Capitalisation issue *(note iii)*	659,990,000	6,600
Issue of new share upon Listing *(note iv)*	140,000,000	1,400
At 31 March 2018 and 2019	800,000,000	8,000

Notes:

(i) Pursuant to the written resolutions passed by the shareholders on 4 December 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by creation of additional 1,962,000,000 ordinary shares of HK$0.01 each which, upon issue, shall rank pari passu in all aspects with the existing issued ordinary shares.

(ii) On 4 December 2017, the Company acquired 90% equity interest in Southern Sun and entire equity interest in Smart Sage in consideration of the allotment and issue of 9,134 shares of the Company to Simple Joy and the Company acquired 10% equity interest in Southern Sun on consideration of the allotment and issue of 865 shares of the Company to Simply Marvel. Details refer to note 2(vii).

(iii) Pursuant to the written resolutions passed by the shareholders on 4 December 2017, conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the Directors were authorised to capitalise the amount of HK$6,599,900 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par. The capitalisation issue was completed on 28 December 2017.

(iv) On 28 December 2017, 140,000,000 shares of the Company were issued at HK$0.50 per share for a total consideration of HK$70,000,000.

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

26. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted, pursuant to a resolution passed on 4 December 2017, for the primary purpose of providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years.

Pursuant to the Scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the Scheme, and other schemes offered by the Company, as from the date of adoption of the Scheme, shall not exceed 10% of the shares in issue on the listing date (i.e. 800,000,000 shares). The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Scheme to each eligible participant in any 12-month period shall not exceed 1% of the issued share capital of the Company. The option shall remain open for acceptance by the eligible participant for a period of 7 days (inclusive of the date on which such offer is made). HK$1 shall be payable by the participants on acceptance of the offer of the Option.

The exercisable period of the share options granted is determinable by the board of directors, but no later than 10 years from the date of grant of the options. The subscription price for the shares in respect of which options are granted is determinable by board of directors, but shall be no less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Company's share on the date of grant of the option.

No share options were granted, exercised, cancelled or lapsed under the Scheme during the year nor outstanding as at the end of the reporting period.

27. 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 owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt which includes bank borrowings and equity of the Group, comprising issued share capital, share premium, other reserve and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and raising new borrowings or repayment of existing borrowings.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Amortised cost	**73,644**	N/A
Loans and receivables (including cash and cash equivalents)	**N/A**	80,516
Financial liabilities		
Amortised cost	**119,858**	93,481

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, deposits, other receivables, bank balances and cash, pledged bank deposits, trade payables, other payables and accrued charges and bank borrowings. Details of these financial instruments are disclosed in 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.

Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. Accordingly, the management of the Group considers that the Group's exposure to foreign currency risk is minimal.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's fixed-rate obligations under finance leases. The Group's cash flow interest rate risk primarily relates to the variable-rate bank balances (note 19), variable-rate pledged bank deposits (note 19) and variable-rate bank borrowings (note 23) and is mainly concentrated on the fluctuation of Hong Kong Prime Rate arising from the Group's bank borrowings.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease in variable-rate bank borrowings are used and represents management's assessment of the reasonably possible change in interest rates. Bank balances and pledged bank deposits are excluded from sensitivity analysis as the management of the Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by HK$266,000 (2018 : HK$275,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, bank balances and contract assets.

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

Management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information and credit search, is required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. The top two debtors amounting to HK$34,015,000 (2018 : HK$22,286,000) comprised approximately 80% (2018 : 92%) of the Group's trade receivables. The Directors closely monitor the subsequent settlement of the customers. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on trade receivables and contract assets, management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable and contract assets. Under HKAS 39, provisions for impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 April 2018, the Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables and contract assets, trade receivables and contract assets have been assessed individually, respectively. In this regard, management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

For deposits and other receivables, the Directors make individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information, to ensure that adequate provisions for impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances of the Group is limited because the counterparties are banks with good reputation and no history of default in the past and no loss allowance provision for bank balances was recognised upon application of HKFRS 9. The Group has limited exposure to any single financial institution.

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

Internal credit rating	Description	Trade receivables/ Contract assets	Other financial assets
Low risk	The counterparty is a subsidiary of a listed company with a low risk of default and does not have any past-due over 30 days amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	The counterparty is a private company with a low risk of default and does not have any past-due over 30 days amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery, or in case of trade receivables, when the amounts are over two years past-due, whichever occurs sooner	Amount is written off	Amount is written off

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The table below detail the credit risk exposures of the Group's financial assets and other item which are subject to ECL assessment:

2019	*Notes*	**External credit rating**	**12-month or lifetime ECL**	**Gross carrying amount** HK$'000
Financial assets at amortised cost				
Trade receivables (note i)	15	N/A	Lifetime ECL (not credit-impaired and assessed individually)	43,597
		N/A	Lifetime ECL (credit-impaired and assessed individually)	261
Other receivables and deposits (note iii)	16	N/A	12-month ECL (not credit-impaired and assessed individually)	4,435
Bank balances (note iv)	19	A3-Aa3	12-month ECL (not credit-impaired and assessed individually)	26,367
Other item				
Contract assets (note ii)	18	N/A	Lifetime ECL (not credit-impaired and assessed individually)	100,201

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

(i) Trade receivables

The expected credit losses on trade receivables are estimated individually by considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables.

An estimated loss rate is applied to each group of internal credit rating. The loss rates are in the range from 0.51% to 6.28% and estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort.

Debtor which is credit impaired with gross carrying amount of HK$261,000 is assessed individually, with impairment allowance HK$261,000 made.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 31 March 2018 under HKAS 39	–	261	261
Adjustment upon application of HKFRS 9	188	–	188
At 1 April 2018 (restated)	188	261	449
Changes due to trade receivables recognised at 1 April 2018:			
Impairment loss allowance recognised	567	–	567
At 31 March 2019	755	261	1,016

(ii) Contract assets

The expected credit losses on contract assets are estimated individually by considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective contract assets.

An estimated loss rate is applied to each group of internal credit rating. The loss rates are in the range from 0.51% to 6.28% and estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(ii) Contract assets (Continued)

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
At 31 March 2018 under HKAS 39	–
Adjustment upon application of HKFRS 9	1,311
At 1 April 2018 (restated)	1,311
Changes due to contract assets recognised at 1 April 2018:	
Reversal of Impairment loss allowance recognised	(216)
At 31 March 2019	1,095

(iii) Other receivables and deposits

The Directors consider that there is no material credit risk inherent with the outstanding balance of other receivables and deposits.

(iv) Bank balances

The credit risk on bank balances is limited because the counterparties are banks with high credit rating ranging from A3 to Aa3 assigned by international credit-rating agencies. At 31 March 2019, the Group performed an impairment assessment at 12m ECL by reference to information published by external credit rating agencies relating to probability of default and loss given default of the respective credit rating grades, and concluded that the risks of default of these counterparties are low. Accordingly, no impairment loss has been recognised.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 1 year HK$'000	1 year to 2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2019							
Non-derivative financial liabilities							
Trade payables	–	–	60,963	–	–	60,963	60,963
Other payables and accrued charges	–	–	27,078	–	–	27,078	27,078
Bank borrowings	4.7	31,817	–	–	–	31,817	31,817
Obligations under finance leases	3.7	–	14,194	4,560	31	18,785	18,276
		31,817	102,235	4,560	31	138,643	138,134

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 1 year HK$'000	1 year to 2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2018							
Non-derivative financial liabilities							
Trade payables	–	–	39,373	–	–	39,373	39,373
Other payables and accrued charges	–	–	21,187	–	–	21,187	21,187
Bank borrowings	3.9	32,921	–	–	–	32,921	32,921
Obligations under finance leases	3.6	–	4,772	996	–	5,768	5,580
		32,921	65,332	996	–	99,249	99,061

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 March 2019, the aggregate carrying amount of these bank borrowings amounted to approximately HK$31,817,000 (2018: HK$32,921,000). Taking into account the Group's financial position, management of the Group does not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreements of which the aggregate principal and interest cash outflows will amount to HK$32,242,000 (2018: HK$33,001,000) repayable within 1 year based on the effective interest rate as at 31 March 2019.

Fair value of financial instruments

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

The fair value of financial assets and financial liabilities measured at amortised cost are determined in accordance with general accepted pricing models based on discounted cash flow analysis.

29. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**325**	1,473
In the second to fifth year inclusive	–	250
	325	1,723

The above operating lease payments represent rental payable by the Group for office premises and warehouse. Leases and rentals are negotiated and fixed for a term of one to three (2018: two to three) years.

30. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	–	2,704

31. CONTINGENT LIABILITIES

During the reporting period, Ming Lee Foundation, a wholly owned subsidiary of the Group, received two Writs of Summons (DCCJ 4419/2018 and DCCJ948/2019) from W.M. Contractor Limited ("**W.M. Contractor**") dated 5 October 2018 and 25 February 2019, respectively, which claim Ming Lee Foundation for the overpayment of approximately HK$441,000 and HK$2,001,000 respectively.

On 6 March 2019, W.M. Contractor filed an amended statement of claim which revised the claim for the overpayment of HCA46/2019 (previously in District Court reference DCCJ 4419/2018 to High Court) amounting to approximately HK$4,588,000.

Subsequent to the date of reporting period, on 17 April 2019, Ming Lee Foundation filed a defence and counterclaim to W.M. Construction Limited ("**W.M. Construction**") and W.M. Contractor for HCA46/2019 and DCCJ 948/2019 which claims for amount of approximately HK$4,764,000 and HK$5,536,000 for the outstanding payment for 6 completed construction projects.

The Directors have fully considered factors including nature of claims, costs of litigation and potential impact on the consolidated financial statements and engaged external legal counsel to consider and assess the litigation strategies and defenses, as well as its impact on the Group. The Directors are of the opinion that the Group has valid grounds to deny the allegations made by the plaintiff and to counterclaim against W.M. Contractor and W.M. Construction. Accordingly no provision is required to be made in the consolidated financial statements.

The Company will make further disclosure as and when necessary or appropriate based on the progress of the litigation.

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2019, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$25,486,000 (2018: HK$8,603,000).

33. RELATED PARTY TRANSACTIONS

Mr. Lee provided unlimited personal guarantees to banks in respect of the Group's bank borrowings and obligations under finance leases during the year ended 31 March 2018 and being replaced by corporate guarantee provided by the Company upon listing of the shares of the Company on the Stock Exchange on 28 December 2017.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	**4,646**	3,762
Post-employment benefits	**90**	90
	4,736	3,852

34. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount being HK$1,500 per employee per month.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in notes 9 and 10.

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2019 HK$'000	2018 HK$'000
Non-current asset		
Investments in subsidiaries	**66,217**	66,217
Current assets		
Deposits, prepayments and other receivables	**–**	33
Amounts due from subsidiaries	**53,933**	36,206
Bank balances and cash	**2,348**	22,895
	56,281	59,134
Current liability		
Other payables and accruals	**155**	50
Net current assets	**56,126**	59,084
Total assets less current liabilities	**122,343**	125,301
Capital and reserves		
Share capital	**8,000**	8,000
Reserves	**114,343**	117,301
Total equity	**122,343**	125,301

Movement in the Company's reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	–	(2,292)	(2,292)
Profit and total comprehensive income for the year	–	18,107	18,107
Transfer upon reorganisation (note 25(ii))	66,217	–	66,217
Issue of shares upon share offer (note 25(iv))	68,600	–	68,600
Capitalisation issue (note 25(iii))	(6,600)	–	(6,600)
Transaction cost directly attributable to issue of shares	(4,850)	–	(4,850)
Dividends paid (note 12)	–	(21,881)	(21,881)
At 31 March 2018	123,367	(6,066)	117,301
Loss and total comprehensive expense for the year	–	(2,958)	(2,958)
At 31 March 2019	**123,367**	**(9,024)**	**114,343**

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividends payable HK$'000	Accrued share issue cost HK$'000	Bank borrowings HK$'000	Obligations under finance leases HK$'000	Total HK$'000
At 1 April 2017	–	–	6,143	9,851	15,994
Financing cash flows *(Note)*	(1,893)	(4,850)	26,116	(13,415)	5,958
Purchase of property and equipment through finance leases	–	–	–	8,603	8,603
Share issued costs accrued	–	4,850	–	–	4,850
Dividends declared	21,881	–	–	–	21,881
Settled through current account with Mr. Li	(19,988)	–	–	–	(19,988)
Finance costs recognised	–	–	662	541	1,203
At 31 March 2018	–	–	32,921	5,580	38,501
Financing cash flows *(Note)*	–	–	(2,350)	(13,475)	(15,825)
Purchase of property and equipment through finance leases	–	–	–	25,486	25,486
Finance costs recognised	–	–	1,246	685	1,931
At 31 March 2019	–	–	31,817	18,276	50,093

Note: The financing cash flows represented the net amount of proceeds from bank borrowings, payment of finance costs and repayments of bank borrowings and finance leases, share issue costs paid and dividends paid.

37. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of establishment	Place of operation	Issued and full paid share capital	Proportion of ownership interest attributable to the Company 2019	2018	Principal activities
Smart Sage^	BVI	BVI/Hong Kong	USD10,000	100%	100%	Investment holding
Southern Sun^	BVI	BVI/Hong Kong	USD10,000	100%	100%	Investment holding
Ming Lee Foundation	Hong Kong	Hong Kong	HK$1,000	100%	100%	Provision of foundation engineering work
Ming Lee Engineering	Hong Kong	Hong Kong	HK$2	100%	100%	Provision of engineering work

^ Directly held by the Company

Note: These companies became wholly owned subsidiaries upon completion of the Reorganisation as detailed in note 2.

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

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2019	2018	**2019**	2018	**2019**	2018
			HK$'000	HK$'000	**HK$'000**	HK$'000
Ming Lee Foundation	**–**	–	**–**	2,174	**–**	–

Ming Lee Foundation became wholly owned subsidiary upon completion of the Reorganisation as detailed in note 2.

Summarised financial information in respect of Ming Lee Foundation before the completion of Reorganisation is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	1 April 2017 to 4 December 2017 HK$'000
Revenue, other income and other gain	214,443
Expenses	(188,511)
Taxation	(4,195)
Profit and other comprehensive income for the period	21,737
Profit and other comprehensive income for the period attributable to	
– the controlling shareholder of Ming Lee Foundation	19,563
– non-controlling interests of Ming Lee Foundation	2,174
	21,737
Net cash outflow from operating activities	(9,684)
Net cash outflow from investing activities	(2,291)
Net cash outflow from financing activities	(1,976)
Net cash outflow	(13,951)

Financial Summary

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**289,212**	331,112	219,328	120,465	74,282
(Loss) profit before taxation	**(24,259)**	23,188	37,520	22,287	21,782
Income tax credit (expense)	**3,766**	(5,827)	(6,565)	(3,757)	(3,609)
(Loss) profit for the year	**(20,493)**	17,361	30,955	18,530	18,173
(Loss) profit for the year attributable to:					
Owners of the Company	**(20,493)**	15,187	27,973	17,601	18,173

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**244,125**	233,323	141,101	67,698	43,226
Total liabilities	**139,271**	106,477	74,885	32,438	26,496
Net assets	**104,854**	126,846	66,216	35,260	16,730
Equity attributable to owners of the Company	**104,854**	126,846	60,341	32,367	16,730
Non-controlling interests	**–**	–	5,875	2,893	–
Total equity	**104,854**	126,846	66,216	35,260	16,730

Note: The results for the years ended 31 March 2015, 2016 and 2017 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's Shares were listed on the Stock Exchange, has been in existence throughout the years concerned. The figures for years ended 31 March 2015, 2016 and 2017 have been extracted from the Company's Prospectus dated 13 December 2017.

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