恒 益 控 股 有 限 公 司
HANG YICK HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1894

2018/19
ANNUAL REPORT

Contents

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Articles"	the amended and restated articles of association of the Company adopted on 19 September 2018 with effect from the Listing Date, and as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Capital Development"	Capital Development Investment Company Limited, a company incorporated in the BVI with limited liability which is an investment holding company wholly owned by Mr. Pang Ming, our executive Director
"CDI HY HK"	CDI Hang Yick (China) Construction Company Limited (首建恒益（中國）建築控股有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly owned subsidiary of our Company
"CDI HY SZ"	CDI Hang Yick Construction Holdings Co. Ltd. SZ* (首建恒益（深圳）建築控股有限公司), a limited liability company established on 19 March 2019 in the PRC, indirectly and wholly owned by HY Capital
"CDI Shankly"	CDI Shankly Capital Holdings Company Limited, a company incorporated in the BVI with limited liability which is an investment holding company wholly owned by Mr. Wu Hing Yin Remzi, a member of our senior management
"Company" or "our Company"	Hang Yick Holdings Company Limited (恒益控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2018
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. PS Lee, Ms. LC Lau and HY Steel
"Director(s)"	the director(s) of our Company
"Fujian Hejin"	Fujian Hejin Construction Engineering Limited* (福建禾金建設工程有限公司), a limited liability company established on 23 November 2015 in the PRC, and as at the date of this annual report, an indirect non-wholly owned subsidiary of our Company
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
"Hang Yick HK"	Hang Yick Gate Engineering Limited (恒益捲閘工程有限公司), a company incorporated in Hong Kong with limited liability on 20 January 1993, and an indirect wholly-owned subsidiary of our Company
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

Definitions

"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Huizhou Hengyi"	Huizhou Hengyi Wujin Zhipin Limited* (惠州恒益五金製品有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"Huizhou Yicun"	Huizhou Yicun Steel Structural Engineering Limited* (惠州市溢存鋼結構工程有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"HY Capital"	HY Capital Holdings Company Limited, a company incorporated in the BVI with limited liability on 9 January 2019 which is owned as to 60% by HY China, 25% by Capital Development and 15% by CDI Shankly
"HY China"	HY China Investment Company Limited, a company incorporated in the BVI with limited liability on 9 January 2019 and a direct wholly-owned subsidiary of our Company
"HY Metal"	HY Metal Company Limited, a company incorporated in the BVI with limited liability on 15 March 2018, and a direct wholly-owned subsidiary of our Company
"HY Steel"	HY Steel Company Limited, a company incorporated in the BVI with limited liability on 14 March 2018 which is owned as to 70% by Mr. PS Lee and 30% by Ms. LC Lau, as one of our Controlling Shareholders
"Kaihua Project"	a construction project located in Kaihua, Zhejiang Province, the PRC, with a contract sum of approximately RMB500 million
"Listing"	listing of the Shares on the Main Board of the Stock Exchange on 12 October 2018
"Listing Date"	12 October 2018
"Listing Rules"	The Rules Governing the Listing of Securities on the stock exchange, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mr. PS Lee"	Mr. Lee Pui Sun (李沛新先生), our Chairman, chief executive officer, executive Director and Controlling Shareholder, the spouse of Ms. LC Lau
"Ms. LC Lau"	Ms. Lau Lai Ching (劉麗菁女士), our executive Director and Controlling Shareholder, the spouse of Mr. PS Lee
"PRC" or "China"	The People's Republic of China which, for the purpose of this annual report, shall exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 28 September 2018

Definitions

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sanmen Project”	a construction project located in Sanmen, Zhejiang Province
“Shares”	ordinary shares of our Company with a nominal value of HK$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	a share option scheme passed pursuant to a written resolution by the Shareholder on 19 September 2018
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunshine”	Sunshine Metal Engineering Limited (新銳鐵器工程有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly owned subsidiary of our Company
“%”	per cent

The English names of marked with “” are unofficial English translations of the Chinese names of, among others, entities, laws or regulations or government authorities, that do not have official English names. If there is any inconsistency, the Chinese names shall prevail.*

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*
Ms. Lau Lai Ching
Mr. Lee Ka Ho (appointed on 28 June 2019)
Mr. Pang Ming (appointed on 28 June 2019)

Non-executive Director
Mr. Lee Ka Chun Benny

Independent Non-executive Directors
Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, *JP*
Mr. Tse Ka Ching Justin

AUDIT COMMITTEE

Mr. Tse Ka Ching Justin *(Chairman)*
Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, *JP*

REMUNERATION COMMITTEE

Mr. Au Yeung Wai Key *(Chairman)*
Hon Cheung Kwok Kwan, *JP*
Mr. Tse Ka Ching Justin

NOMINATION COMMITTEE

Hon Cheung Kwok Kwan, *JP (Chairman)*
Mr. Au Yeung Wai Key
Mr. Tse Ka Ching Justin

COMPANY SECRETARY

Mr. Leung Wing Lun *(HKICPA)*

AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

Mr. Lee Pui Sun
Mr. Leung Wing Lun *(HKICPA)*

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, Upper G/F
Stage 4 Yau Tong Industrial Building
18-20 Sze Shan Street
Yau Tong, Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Fortune Financial Capital Limited

LEGAL ADVISER AS TO HONG KONG LAW

Stephenson Harwood

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China Huizhou Lilin Branch
Agricultural Bank of China Huizhou Lilin Branch

STOCK CODE

1894

COMPANY WEBSITE

http://www.hy-engineering.com

INVESTOR RELATIONS

Financial Asia Limited
Email: hangyick@finasia.com.hk
Tel: (852) 2522 8051

Chairman's Statement

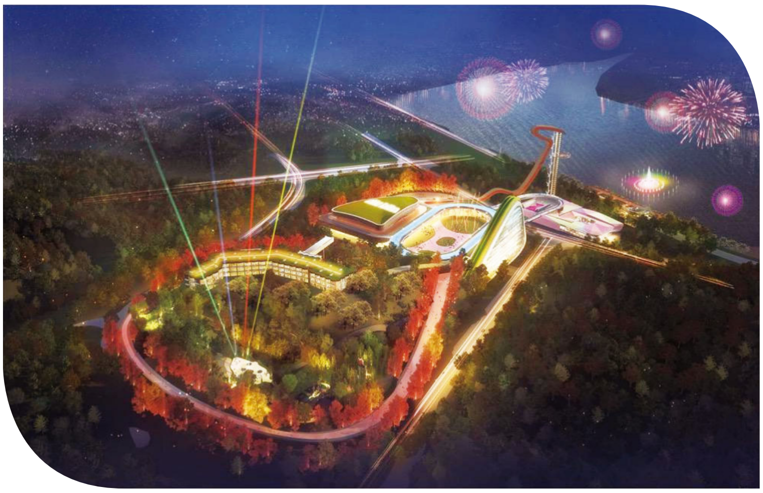
Dear Shareholders,

On behalf of the Board, I am pleased to present to our Shareholders the first annual report of the Group for the year ended 31 March 2019 following the Listing. 2018 was a remarkable year for us as we made a move to one of the most recognised capital markets in the world. Our Shares were listed on the Main Board of the Stock Exchange on 12 October 2018. The capital raised through Listing allows us to expand our business both in Hong Kong and the PRC and provides us an opportunity to strengthen our corporate governance and further promote our Group to the public as a well-organised establishment.

For the purpose of maintaining our leading position in the market, on 31 January 2019, a subsidiary of the Group has acquired a company incorporated in Hong Kong, which is an Approved Contractor under the "Structural Steelwork" category of works on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works. We expect this acquisition would enable us to explore more business opportunities in Hong Kong.

We also expanded our operation to the vast market of construction services in the PRC, through the establishment of a non-wholly owned subsidiary together with our joint venture partners. As at the date of this report, we successfully secured a new contract of a sports and tourism complex project in Kaihua, Zhejiang Province with a contract sum of approximately RMB500 million, which is expected to contribute considerable financial returns in the future and open a brand-new chapter of our expansion.

Chairman's Statement



During the year ended 31 March 2019, we further strengthened our manufacturing and servicing specialties and expanded business networks, leading to a significant increase in the number of projects on hand and total contract sum. 17 projects were completed while 28 were newly awarded during the year ended 31 March 2019.

In terms of financial results, our overall revenue decreased by 8.7%, from approximately HK$199.2 million of last year to approximately HK$181.9 million for the year ended 31 March 2019, mainly attributable to the decrease in demand from the segment of the sales of steel and metal products. Our net profit also recorded a decrease by approximately 69.2% from approximately HK$52.2 million for the year ended 31 March 2018 to approximately HK$16.1 million for the year ended 31 March 2019, mainly attributable to the non-recurring expenses, such as one-off listing expenses and equity-settled share option expenses, and decrease in gross profit arising from the decrease in revenue mentioned above. In the Management Discussion and Analysis part of this annual report, we will further discuss our financial performances and highlight some of our most important projects.

Along with active business expansion and growth, we allocated more resources to develop the community and help people in need, including paying visits to elderly home and children care organization, and making donations to charitable events. More information regarding the charitable events we participated in and the awards we received will be presented in our Environmental, Social and Governance Report in this annual report.

Mr. Lee Ka Ho and Mr. Pang Ming were appointed as our executive Directors with effective on 28 June 2019. I believe Mr. Lee Ka Ho's extensive experience in accounting and finance and Mr. Pang Ming's extensive experience in finance and investment, including property investment, equity investment and real estate investment trust, will be a valuable asset for the Group's long-term development.

Despite our expansion into the PRC market where we embrace vast opportunities and tackle new challenges, Hong Kong market remains our base. Hong Kong's housing shortage has been driving the government to implement both short-term and long-term residential project. We anticipate there will be a steady growth in the industry. As the major steel and metal engineering service provider for Hong Kong's public sector, we are confident to remain with our leading position in this market.

The Board has recommended the declaration of a final dividend of HK0.5 cent per share, together with the interim dividend of HK1.3 cents per share already paid, the total dividend for the year ended 31 March 2019 will amount to HK1.8 cents per share. We ensure that we will devote our best effort in sustaining the prosperity of the Company and therefore of our Shareholders'.

I would like to take this opportunity to express, on behalf of the Board, our sincere gratitude to all of our staff and management team, whose continuous hard work is the key to our success, and to our Shareholders, investors, business partners, and clients, whose trust and support gave the Group growth opportunities.

Lee Pui Sun
Chairman and Executive Director

Hong Kong, 27 June 2019

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lee Pui Sun

Lee Pui Sun (李沛新), aged 61, is the Chairman, chief executive officer and our executive Director and Controlling Shareholder. He is primarily responsible for the overall strategic management and development of our Group's business operations.

Mr. PS Lee has more than 35 years' experience in the gate engineering industry. In June 1982, Mr. PS Lee established Hang Yick Gate Eng Co. (恒益捲閘工程公司) a sole proprietorship in Hong Kong, which was principally engaged in the business of gate engineering and had ceased its business in March 2018. In January 1993, Mr. PS Lee founded Hang Yick HK with Ms. LC Lau. Mr. PS Lee is also a director of HY Metal, Hang Yick HK, HY China, HY Capital, CDI HY HK, CDI HY SZ, Fujian Hejin, Sunshine, Huizhou Hengyi and Huizhou Yicun.

Mr. PS Lee is spouse of Ms. LC Lau, our executive Director, the father of Mr. KH Lee, our executive Director, and Mr. Benny Lee, our non-executive Director.

Ms. Lau Lai Ching

Lau Lai Ching (劉麗菁), aged 61, is our executive Director and Controlling Shareholder. She is primarily responsible for overseeing our Group's finance and administration.

Ms. LC Lau has more than 25 years' experience in the gate engineering industry. In January 1993, Ms. LC Lau founded Hang Yick HK with Mr. PS Lee. In 2003, Ms. LC Lau established Hang Yick Metal Products (恒益五金製品), a sole proprietorship in Hong Kong providing wholesales, retail sales and engineering services and ceased its business in March 2018. Ms. LC Lau is also a director of HY Metal, Hang Yick HK, HY China, HY Capital, Sunshine and CDI HY HK.

Ms. LC Lau is the spouse of Mr. PS Lee, the Chairman, chief executive officer and our executive Director, the mother of Mr. KH Lee, our executive Director, and Mr. Benny Lee, our non-executive Director.

Mr. Lee Ka Ho *(appointed on 28 June 2019)*

Lee Ka Ho (李嘉豪) ("**Mr. KH Lee**"), aged 31, was appointed as our executive Director on 28 June 2019. He is responsible for the financial and compliance matters of the Group. Mr. KH Lee is also a director of Hang Yick HK, a company secretary of CDI HY HK, and a supervisor of CDI HY SZ and Fujian Hejin. He has over seven years of experience in accounting and finance. Prior to joining the Group, Mr. KH Lee worked as an accountant and audit manager in international accounting firms between December 2011 and May 2019, and his last position was audit manager at KPMG.

Mr. KH Lee holds a bachelor's degree in Commerce (Accounting) from University of Adelaide and he is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. KH Lee is the son of Mr. PS Lee and Ms. LC Lau, both of whom are our executive Directors and Controlling Shareholders, and the younger brother of Mr. Benny Lee, our non-executive Director.

Biographical Details of Directors and Senior Management

Mr. Pang Ming *(appointed on 28 June 2019)*

Pang Ming (彭明) ("**Mr. Pang**"), aged 39, was appointed as our executive Director on 28 June 2019, and has extensive experience in finance and investment, including property investment, equity investment and real estate investment trust. Mr. Pang is responsible for formulating the Group's business strategy in the PRC.

Prior to joining the Group, Mr. Pang was the vice-president of Shenzhen Saite Construction Consulting Company Limited* (深圳賽特建築工程諮詢有限公司), a wholly-owned subsidiary of China Saite Group Company Limited (中國賽特集團有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 153)), which engages in construction consulting business in the PRC. Mr. Pang is currently a director of Capital Development Investment Holdings Limited, which mainly engages in property development and investment in the PRC. He is also one of the shareholders of Capital Development Investment Holdings Limited, which entered into a non-legally binding strategic cooperation framework agreement with the Group on 21 December 2018. For further details, please refer to the announcement of the Company dated 21 December 2018. Further, Mr. Pang is the sole director and beneficial owner of Capital Development Investment Company Limited, an investment holding company, which directly holds 25% of HY Capital, a joint venture which is indirectly held as to 60% by the Company. For further details, please refer to the announcement of the Company dated 17 April 2019. Mr. Pang is also the general manager of B&R Investment Holding Limited (絲路投資控股有限公司), a wholly-owned subsidiary of Great Wall Belt & Road Holdings Limited (長城一帶一路有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 524)) which engages in property development in the PRC.

Mr. Pang holds the Master of Business Administration degree from the University of Management and Technology.

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Chun Benny

Lee Ka Chun Benny (李嘉俊) ("**Mr. Benny Lee**"), aged 33, was appointed as our non-executive Director on 14 May 2018. He is primarily responsible for providing strategic advices to our Group.

Mr. Benny Lee has been appointed as director of Hang Yick HK since December 2017. Prior to joining the Group, Mr. Benny Lee worked as accounts assistant of accountant department in Dimerco Express Singapore Pte Ltd, a shipping and logistics services provider, from August 2012 to September 2014. He has been appointed as accounting officer of finance department at Fitness First Singapore Pte Ltd since October 2014.

Mr. Benny Lee has more than five years' experience in accounting, and was admitted as member of CPA Australia in November 2016. He obtained a bachelor's degree of commerce, major in accounting from the University of Adelaide in Australia in December 2008, and a master's degree in management from the University of South Australia in August 2010.

Mr. Benny Lee is the son of Mr. PS Lee and Ms. LC Lau, both of whom are our executive Directors and Controlling Shareholders, and the elder brother of Mr. KH Lee, our executive Director.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au Yeung Wai Key

Au Yeung Wai Key (**歐陽偉基**) ("**Mr. Au Yeung**"), aged 61, was appointed as the independent non-executive Director on 19 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. Mr. Au Yeung is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Au Yeung has more than 25 years' experience in handling various construction projects in Hong Kong, Macau and the PRC. He previously worked as a graduate engineer at Mott Connell Limited from October 1991 to June 1992. From July 1992 to July 1995, he worked as a structural engineering graduate at the Architectural Service Department. Mr. Au Yeung worked as engineer at Maunsell Consultants Asia Ltd from June 1995 to February 1997. He worked as a senior structural engineer in Ove Arup & Partners Hong Kong Ltd. from March 1997 to January 2002 and December 2007 to October 2017. From March 2002 to September 2005, he worked as a project engineer at Greg Wong and Associates Ltd. He worked as a project manager at Yau Lee Construction Co., Ltd from September 2005 to December 2007. He has worked as a senior project engineer at the Airport Authority Hong Kong since October 2017.

Mr. Au Yeung obtained a bachelor's degree in civil engineering from the University of Westminster in the United Kingdom in July 1991 and a degree of master of science in engineering from the University of Hong Kong in December 1998. He has been a member of The Institute of Structural Engineers since October 1995, a member of The Hong Kong Institution of Engineers since September 1996, a member of The Institution of Engineers, Australia since March 1996 and a member of The Institution of Civil Engineer since July 1999. He worked as a part-time lecturer in Vocational Training Council Technical Institutes (currently known as Hong Kong Institute of Vocational Education) from March 1994 to July 2007 and from September 2016 to August 2017.

Hon Cheung Kwok Kwan

Hon Cheung Kwok Kwan, ***JP*** (**張國鈞,** ***太平紳士***) ("**Hon Cheung**"), aged 44, was appointed as our independent non-executive Director on 19 September 2018. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Hon Cheung is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group.

Hon Cheung obtained a bachelor's degree of laws and a postgraduate certificate in laws from the City University of Hong Kong in November 1997 and August 1998 respectively. Hon Cheung was admitted as a solicitor in Hong Kong in September 2000 and is a partner of Cheung & Yeung, Solicitors. He has been an Elected Member of Central and Western District Council since January 2012 and was appointed as a Justice of the Peace in July 2014. He was then elected as a Legislative Council member of Hong Kong since October 2016. He was also appointed as a non-official member of the Executive Council since July 2017, a member of the Hong Kong Housing Authority since 2015 and China-Appointed Attesting Officer since December 2015. Hon Cheung has also been appointed as an independent non-executive director of Innovax Holdings Limited (stock code: 2680), a company whose shares are listed on the Main Board of the Stock Exchange, since August 2018, and he is also a non-executive director of The Hong Kong Mortgage Corporation Limited.

Biographical Details of Directors and Senior Management

Tse Ka Ching Justin

Tse Ka Ching Justin (謝嘉政) ("**Mr. Tse**"), aged 32, was appointed as our independent non-executive Director on 19 September 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Tse is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group. Mr. Tse worked in KPMG as an audit manager since August 2010 to April 2018. Mr. Tse has worked as senior finance manager at Pacific Tiger Group Limited since April 2018.

Mr. Tse obtained a bachelor of science degree with honours in human biology in the University of Toronto in Canada in June 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2014.

Mr. Tse has been appointed as an independent non-executive director of Vicon Holdings Limited (stock code: 3878), a company whose shares are listed on the Main Board of the Stock Exchange, since May 2019.

SENIOR MANAGEMENT

Leung Wing Lun (梁穎麟) ("**Mr. Leung**"), aged 37, was appointed as the chief financial officer in July 2017 and company secretary of our Group on 14 May 2018. He is primarily responsible for formulation of our Company's financial strategies and management, internal control, and implementation of the corporate financial plan of our Group.

Mr. Leung obtained a bachelor's degree in business administration major in accounting from City University of Hong Kong in November 2004. Mr. Leung has been a Hong Kong Certified Public Accountant since February 2010.

Mr. Leung has more than 13 years' experience in providing professional corporate services. Prior to joining our Group, Mr. Leung worked in Hop Fung Group Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 2320) from July 2004 to August 2005. He served in the Inland Revenue Department as contracted assistant taxation officer in Hong Kong from September 2005 to March 2006. From March 2006 to July 2011, Mr. Leung worked as tax consultant at Thomas Lee & Partners Ltd. In November 2010, Mr. Leung founded Superior Alliance Group Company Limited and he has been acting as director since then.

Mr. Leung has also been appointed as the company secretary of Da Sen Holdings Group Limited (stock code: 1580), a company whose shares are listed on the Main Board of the Stock Exchange, since April 2019.

Wu Hing Yin Remzi (吳謦燃) ("**Mr. Wu**"), aged 30, joined our Group in November 2017 and is the chief operating officer of our Group. He is primarily responsible for the overall strategic management and development of our Group's business operations in the PRC, administration, compliance, capital market investment and financing business and investor relations.

Mr. Wu obtained a bachelor's degree in Government and Public Administration in Social Science from The Chinese University of Hong Kong in December 2010. Prior to joining our Group, Mr. Wu has extensive experience in investment and participated in various initial public offering projects.

Mr. Wu is also the director and shareholder of CDI Shankly Capital Holdings Company Limited, which is one of the shareholders of joint venture of the Group, HY Capital.

Biographical Details of Directors and Senior Management

Mr. Lai Kam Fai Louie (黎錦輝) ("**Mr. Lai**"), aged 46, joined our Group in March 2019 and is the technical director of our Group. He is primarily responsible for overseeing the engineering and technical aspects of various projects of our Group.

Mr. Lai obtained a bachelor's degree in civil engineering from the University of Southern California in the United States in 1996 and a postgraduate diploma in Construction Law and Arbitration in 2003. Mr. Lai has been a member of Institution of Civil Engineers since 2002, a member of the Hong Kong Institution of Engineers since 2004 and a Registered Professional Engineer under the Hong Kong Engineers Registration Board since 2005.

Mr. Lai has over 20 years' experience in handling civil engineering projects in Hong Kong and Macau.

Sin Kwok Chi Stephen (冼國持) ("**Mr. Sin**"), aged 48, joined our Group in February 2004 and is the chief project manager of our Group. He is primarily responsible for management of the engineering department.

Mr. Sin obtained a diploma in mechanical engineering from Haking Wong Technical Institute (currently known as The Hong Kong Institute of Vocational Education (Haking Wong)) in August 1991. He also obtained a higher certificate in mechanical engineering and a bachelor's degree in building services engineering, from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) and Hong Kong Polytechnic University in November 1993 and November 2002, respectively.

Mr. Sin has more than 20 years' experience in the gate engineering industry. Prior to joining our Group, Mr. Sin was employed by Sanwa Shutter (HK) Limited from November 1993 to June 2003 with his last position as senior engineer manager.

Ho Wang Shun (何宏信) ("**Mr. Ho**"), aged 46, joined our Group in March 2004 and is the project manager (design) of our Group. He is primarily responsible for product design, safety check and fulfilment of products.

Mr. Ho obtained a bachelor's degree in mechanical engineering from Ryerson Polytechnic University (currently known as Ryerson University) in Canada in June 1996.

Mr. Ho has more than 20 years' experience in the gate engineering industry. Prior to joining our Group, Mr. Ho was employed by Sanwa Shutter (HK) Limited from October 1996 to December 2003 with his last position as design manager.

Yeung Leung Yu Water (楊琅儒) ("**Mr. Yeung**"), aged 47, joined our Group in March 2000 and is the project manager of our Group. He is primarily responsible for project management, quality control and construction in sites.

Mr. Yeung completed his secondary education in July 1989.

Mr. Yeung has around 18 years' experience in the gate engineering industry. Prior to joining our Group, Mr. Yeung was employed by Sanwa Shutter (HK) Limited from December 1995 to January 2000 with his last position as an engineer.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Group has been operating for more than 25 years and is one of the leading and well-established steel and metal engineering companies, specialising in design, manufacture, supply and installation of steel and metal products for construction projects in Hong Kong. Our Shares were successfully listed on the Main Board of the Stock Exchange on 12 October 2018.

For the purpose of maintaining our leading position in the market, on 31 January 2019, a subsidiary of the Group has acquired a company incorporated in Hong Kong, which is an Approved Contractor under the "Structural Steelwork" category of works on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works. The Group expects this acquisition would enable us to explore more business opportunities in Hong Kong. The aforesaid acquisition does not constitute notifiable transaction under the Listing Rules.

The Group is also expanding and developing its business in the construction and real estate markets in the PRC, through the establishment of a joint venture company together with the business partners, and details of which can be referred to the announcements of the Company dated 21 December 2018, 17 April 2019 and 31 May 2019, respectively and the paragraph headed "Events Subsequent to the End of the Reporting Period" below.

Provision of steel and metal engineering services

The Group's engineering services range from design, manufacture, supply to installation of steel and metal products such as roller shutters and metal doors for construction projects in Hong Kong. It serves customers including construction companies and engineering companies on a project-by-project basis.

During the year ended 31 March 2019, the Group had completed 17 projects which included two projects located in Tung Chung and Yuen Long with a contract sum of approximately HK$65.0 million and HK$19.6 million, respectively. There was also substantial progress made for six projects which included two projects located in Sha Tin and Kwun Tong with a contract sum of approximately HK$37.4 million and HK$36.6 million, respectively during the year. This segment recorded a revenue of approximately HK$147.9 million during the year ended 31 March 2019, representing a slight increase of approximately 5.2% compared to the year ended 31 March 2018.

As at 31 March 2019, the Group had 46 on-going projects in Hong Kong which were awarded by tender with an aggregate contract sum of approximately HK$404.5 million. Among the 46 on-going projects in Hong Kong, 28 projects were awarded by tender during the year ended 31 March 2019. The overall success rate of tenders attained approximately 33% during the year ended 31 March 2019. During the year ended 31 March 2019, a project which is located in Kaihua, Zhejiang Province, the PRC ("**Kaihua Project**"), with a contract sum of approximately RMB500 million, was awarded to the Group but yet to commence. The Group estimates that the construction for Kaihua Project will commence in or around September 2019.

In April 2019, the Group was awarded with a construction project located in Sanmen, Zhejiang Province, the PRC, with an estimated contract sum of approximately RMB300 million ("**Sanmen Project**"). The Group expects to enter into a formal contract in around August 2019, and estimates that the construction for Sanmen Project will commence in or around October 2019. As a result, the total estimated contract sum for the two construction projects in the PRC, namely Kaihua Project and Sanmen Project, is approximately RMB800 million.

Kaihua Project

Sanmen Project

Management Discussion and Analysis

Major projects awarded and undertaken during the year ended 31 March 2019 in Hong Kong

During the year ended 31 March 2019, we were awarded 28 projects in Hong Kong, with a total original contract sum of approximately HK$194.3 million, and details of which are set out below:

Original contract sum	Number of projects	Total original contract sum HK$'000
HK$20 million or above	2	60,158
HK$10 million less than HK$20 million	4	62,490
HK$5 million less than HK$10 million	5	37,861
Less than HK$5 million	17	33,821
	28	194,330

On-going projects in Hong Kong as at 31 March 2019

As at 31 March 2019, we had a total of 46 on-going projects in Hong Kong, 28 projects were awarded by tender during the year ended 31 March 2019. The total original contract sum of these projects was approximately HK$404.5 million. The below table sets forth the particulars of some of the sizeable projects (with contract sum of more than HK$10 million), awarded and undertaken by us and remained on-going as at 31 March 2019:

Type of building development	Location	Expected completion date (Note)	Original contract sum HK$ '000
Steel and metal works for public rental housing	Shatin	June 2020	37,379
Steel and metal works for public rental housing	Kwun Tong	December 2019	36,601
Steel and metal works for public rental housing	North West Kowloon Reclamation Site	March 2020	32,548
Steel and metal works for public rental housing	Sham Shui Po	September 2020	22,097
Steel and metal works for subsidised sales flat housing	Tseung Kwan O	December 2020	17,901
Steel and metal works for public rental housing	Kwun Tong	December 2020	19,206
Design, supply and installation of Structural steel works and covered walkways for public rental housing	North West Kowloon Reclamation Site	December 2021	35,069
Design, supply and installation of Glazed Doors and Glass works and covered walkways for public rental housing	North West Kowloon Reclamation Site	December 2021	11,689
Steel and metal works for public rental housing	Chai Wan	December 2019	13,694
Steel and metal works for public rental housing	Sham Shui Po	December 2019	25,088

Management Discussion and Analysis

Note:

The expected completion date for the contracts is based on our management's best estimation up to date of this annual report. In determining the estimation, our management takes into account factors including but not limited to the expected completion date specified in the relevant contracts and the actual work schedules as agreed between our customers and us.

Major projects completed during the year ended 31 March 2019

Completion means when we substantially completed our works under the construction contracts and we permanently retreat our site workers from the construction sites before the completion of the entire construction projects under the main contracts. The below table sets forth the details of the major projects completed (with contract sum of more than HK$10 million) and revenue recognised more than HK$5 million during the year ended 31 March 2019:

Type of building development	Location	Completion date	Contract sum HK$'000	Revenue recognised HK$'000
Steel and metal works for public rental housing	Tung Chung	December 2018	65,010	24,450
Steel and metal works for public rental housing	Yuen Long	November 2018	19,552	5,022
Supply and installation of metal gates for public rental housing	Lai Chi Kok	January 2019	10,782	12,910

Award of contract after the Reporting Period

From 1 April 2019 and up to the date of this annual report, we has been awarded a major project (with contract sum of more than HK$10 million). The below table sets forth details of the newly awarded projects:

Type of building development	Location	Expected completion date	Contract sum HK$'000
Steel and metal works for public rental housing	Fanling	December 2021	45,000

Sales of Steel and Metal Products

The Group also supplies steel and metal products, such as metal gates, collapsible gates, fire-insulated shutters, sliding shutters, rolling shutters and metal doors based on customers' specifications and requirements. Such sales do not require the provision of installation works and after-sale services. This segment recorded a revenue of approximately HK$34.1 million during the year ended 31 March 2019.

Management Discussion and Analysis

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The Group intended to expand its construction and real estate business in the PRC. References are made to the announcements of the Company dated 17 April 2019 and 31 May 2019 respectively, which are summarised as follows:

On 17 April 2019, the Group, via its wholly-owned subsidiary, HY China has entered into a shareholders' agreement (the "**Shareholders Agreement**") in relation to HY Capital, being a non-wholly owned subsidiary of HY China, with the other two shareholders of HY Capital, namely Capital Development and CDI Shankly (the "**Joint Venture Partners**"), to regulate the rights and obligations in HY Capital for developing the construction business in the PRC. Through HY China, the Group holds 60% equity interests in HY Capital and its wholly-owned subsidiaries, which comprises CDI Hang Yick (China) Construction Co. Ltd. (a company incorporated in Hong Kong) and CDI HY SZ. Pursuant to the Shareholders Agreement, the Group and the Joint Venture Partners have committed to provide unsecured and interest-free shareholders' loans of HK$40 million in aggregate to HY Capital, in proportion to their respective equity interest in HY Capital, as initial funding to develop the construction business in the PRC. Details of this transaction were disclosed in the Company's announcement dated 17 April 2019.

On 29 May 2019, CDI Hang Yick SZ completed the acquisition of the entire equity interests of Fujian Hejin, at a cash consideration of RMB2,800,000 (equivalent to approximately HK$3,276,000). The major reason for such acquisition was to acquire the relevant licenses (such as main contractor of construction works level two and main contractor of municipal public construction works level three) held by Fujian Hejin for conducting construction services business in the PRC. Details of this acquisition were disclosed in the Company's announcement dated 31 May 2019.

OUTLOOK

Hong Kong

The Group considers that the next financial year will be challenging if the US-China trade war continues which will have a significant adverse impact on the economic growth in the global market, including Hong Kong. Nevertheless, the demand for public housing will continue to grow and with reference to the "Public Housing Construction Programme 2017-18 to 2021-22" released by Transport and Housing Bureau to Legislative Council Panel on Housing, the estimated housing production during 2018 to 2022 is approximately 96,800 units, comprising approximately 73,300 units of public rental housing and approximately 23,400 units of subsidised sale flats, and also the average annual public housing production under Housing Authority is expected to reach approximately 19,340 units during 2018 to 2022, while the average annual public housing production is expected to further increase to approximately 24,280 units during 2023 to 2027. Hence, it is expected that with the support of Hong Kong Government on public housing policies, the demand for steel and metal engineering services for public housing will grow steadily. The Group is confident to maintain its market share in public sector in Hong Kong and will remain active in submitting tenders when it receives the tender invitations.

On the other hand, the Group expects that the demand for steel and metal gates will drop in the forthcoming financial years as a result of the substantial completion of the five-year replacement scheme of old type collapsible gate launched by the Housing Authority in the public rental housing starting from 2015. According to press release made by the Hong Kong Government on 7 November 2018, up to October 2018, the Housing Authority had replaced the metal gates of about 70 per cent of such public rental housing units (about 120,000 units) under the programme and the programme is expected to be completed in 2019/20. Furthermore, the Housing Authority has no plan to replace other types of metal gates in public rental housing estates.

Management Discussion and Analysis

The PRC

Since December 2018, the Group has commenced to diversify and expand the business to the PRC. Up to the date of this annual report, with the efforts of the Group and the Joint Venture Partners, two construction projects, namely Kaihua Project and Sanmen Project, have been awarded to the Group with the total contract sum of RMB800 million. The Group expects that the construction for these two projects will commence in the third and fourth quarters of 2019 respectively.

In the coming years, the Group is optimistic to develop and expand its construction business in the PRC, especially in the Greater Bay Area where the government has launched plans to promote the economic development and regional cooperation, including infrastructure and connectivity plans between Guangdong, Hong Kong and Macau. The Board considers that it gives various opportunities to the market players, including the Group, to expand their footprints in the area. As such, the Group will seek opportunities to working in joint ventures and partnerships, including enterprises in the PRC that possess relevant experience and resources, to participate in the development projects.

Looking forward, the Group will continue to explore various new opportunities for developing and expanding its construction business in the PRC. The Board is of the view that the establishment of HY Capital and its subsidiaries, and the collaboration with the Joint Venture Partners to develop the construction and real estate markets will diversify its business in terms of geographical and enhance the long term growth of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks involved in the Group's operations, many of which are beyond the Group's control, including but not limited to those relating to the business and the industry. Some of the major risks the Group facing include the following:

- Our revenue relies on successful quotation or tenders of engineering services projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers;
- Reduction or termination of public sector projects in Hong Kong may adversely affect our revenue and results of operations;
- Failure to estimate the costs involved accurately in the implementation of the project and delay in completion of the project which may adversely affect our operating results and financial position;
- We plan to expand our capacity by acquiring equipment and expanding manpower which may result in an increase in expense and staff costs which may adversely affect our operating results and financial position; and
- We plan to expand our business in the PRC, any changes in the PRC's economic, political and social conditions as well as government policies, could adversely affect our business, financial condition, result of operation and prospects.

FINANCIAL REVIEW

Revenue

During the year ended 31 March 2019, the overall revenue of the Group has decreased by approximately HK$17.3 million, or approximately 8.7% compared to the year ended 31 March 2018, from approximately HK$199.2 million to approximately HK$181.9 million.

The overall decrease was due to an increase in provision of steel and metal engineering services offset by a decrease in the sales of steel and metal products, which is further explained below.

Provision of steel and metal engineering services

Revenue from the provision of steel and metal engineering services increased slightly by approximately HK$7.3 million, or 5.2%, from approximately HK$140.6 million for the year ended 31 March 2018 to approximately HK$147.9 million for the year ended 31 March 2019. The increase in revenue was primarily due to the completion of several public housing projects such as the projects located in Tung Chung and Yuen Long, and substantial progress was made for six projects in which amongst others are two projects located in Sha Tin and Kwun Tong. Meanwhile, several significant projects, such as public housing projects located in Sham Shui Po and Tseung Kwan O, have started to generate revenue during the year ended 31 March 2019.

The Group expects the public housing projects in Sham Shui Po and North West Kowloon Reclamation Site will enter into intensive stage in the second and third quarters of 2019.

Sales of steel and metal products

Revenue from the sales of steel and metal products decreased by approximately HK$24.5 million, or 41.8% from approximately HK$58.6 million for the year ended 31 March 2018 to approximately HK$34.1 million for year ended 31 March 2019. As the policy implemented by the Housing Authority is approaching the ending stage, the demand of the standardised collapsible gates has significantly declined, leading to a shift of product mix and a decrease in the number of standardised collapsible gates sold during the year.

Direct costs

Our direct costs primarily consist of direct material costs, direct labour costs, installation service fees, and other costs.

For the year ended 31 March 2019, the Group’s direct costs amounted to approximately HK$121.4 million, representing a mild decrease of approximately HK$3.4 million, or approximately 2.7%, as compared to the direct costs of approximately HK$124.8 million for the year ended 31 March 2018. The mild decrease of direct cost was mainly attributable to the decrease in sales of steel and metal products.

Gross profit and gross profit margin

For the year ended 31 March 2019, the gross profit of the Group decreased by approximately HK$13.9 million, or approximately 18.7%, compared to the year ended 31 March 2018, from approximately HK$74.4 million to approximately HK$60.5 million. The gross profit margin was approximately 33.2%, as compared to that of approximately 37.3% for the year ended 31 March 2018. The decrease in gross profit and gross profit margin were in line with the decreased revenue from the sales of steel and metal products, and the increased labour cost rate for the year ended 31 March 2019.

Other income and other gains and losses

Other income and other gains and losses mainly represented gain on disposal of investment property classified as held for sale/ investment properties, interest income from bank deposits, and sales of scrapped material.

The Group recorded other income and other gains and losses of approximately HK$2.2 million gain for the year ended 31 March 2019 and approximately HK$7.8 million gain for the year ended 31 March 2018. Such decrease was mainly attributable to the decrease in gain on disposal of investment property classified as held for sale/investment properties of approximately HK$5.0 million which offsets by the increase in interest income of HK$0.7 million.

Finance costs

Our finance costs remained relatively stable at approximately HK$0.1 million for both years ended 31 March 2018 and 2019.

Management Discussion and Analysis

Administrative expenses

For the year ended 31 March 2019, the administrative expenses increased by approximately HK$10.1 million or approximately 77.1%, compared to the year ended 31 March 2018, from approximately HK$13.1 million to approximately HK$23.2 million. The increase was mainly because of (i) the increase in other staff cost arising from the bonus payments and the equity-settled share option expenses of approximately HK$5.1 million; (ii) the increase in Directors' emoluments of approximately HK$1.6 million for the year ended 31 March 2019; and (iii) the increase in professional fees of approximately HK$2.4 million, such as the legal fee and the audit fee.

Impairment loss on trade receivables and contract assets

For the year ended 31 March 2019, the Group made provision for expected credit loss on trade receivables and contract assets amounted to approximately HK$3.6 million in aggregate (2018: nil). Out of such provision, approximately HK$3.3 million was made on credit-impaired trade receivables and contract assets due to one of our major customers went into liquidation process during the year.

Listing expenses

For the year ended 31 March 2019, our listing expenses amounted to approximately HK$12.8 million (approximately HK$6.4 million in 2018), which are non-recurring in nature.

Income tax expense

For the year ended 31 March 2019, the income tax expense decreased by approximately HK$3.3 million, or approximately 32.0%, compared to the year ended 31 March 2018, from approximately HK$10.3 million to approximately HK$7.0 million. Such decrease was mainly due to the decrease in operating profits earned in Hong Kong.

The overall effective tax rate of the Group for the year ended 31 March 2019 is approximately 30.5% (2018: 16.5%). The increase in overall effective tax rate is a result of the non-tax-deductible listing expenses and equity-settled share option expenses coupled with the increase in operating profits earned in the PRC.

Profit for the year

For the year ended 31 March 2019, the profit for the year has decreased by approximately HK$36.1 million or approximately 69.2% compared to the year ended 31 March 2018, from approximately HK$52.2 million to approximately HK$16.1 million. The decrease was primarily due to (i) the decrease in gross profit of approximately HK$13.9 million; (ii) the increase in administrative expenses of approximately HK$10.1 million; (iii) the increase in non-recurring listing expenses of approximately HK$6.4 million; (iv) the decrease in other income and other gains of approximately HK$5.6 million; (v) the increase in impairment loss on trade receivables and contract assets of approximately HK$3.6 million; and (vi) the decrease of income tax expense of approximately HK$3.3 million.

Adjusted profit before taxation for the year

The adjusted profit before taxation for the year would reflect a more precise performance in relation to the operation after excluding those non-recurring in nature.

The adjusted profit before taxation for the year has decreased by HK$17.0 million, or 27.2%, compared to the year ended 31 March 2018, from approximately HK$62.6 million to approximately HK$45.6 million.

The adjusted profit before taxation for the year ended 31 March 2019 represented profit before taxation of approximately HK$23.1 million, after excluding non-recurring in nature transactions, such as (i) listing expenses of approximately HK$12.8 million; (ii) equity-settled share option expenses of approximately HK$4.4 million; (iii) one-off listing bonus to staff of approximately HK$3.0 million; (iv) impairment loss on trade receivables and contract assets of approximately HK$3.6 million; and (v) the gain on disposal of investment property classified as held for sale of approximately HK$1.3 million.

Management Discussion and Analysis

Ongoing projects in Hong Kong

NORTH WEST KOWLOON RECLAMATION SITE

– Steel and metal works
– Structural steel works and covered walkways
– Glazed doors and glass works and covered walkways

KWUN TONG

– Steel and metal works

KWUN TONG

– Steel and metal works

SHAM SHUI PO

– Steel and metal works

Management Discussion and Analysis

On-going projects in Hong Kong

FANLING

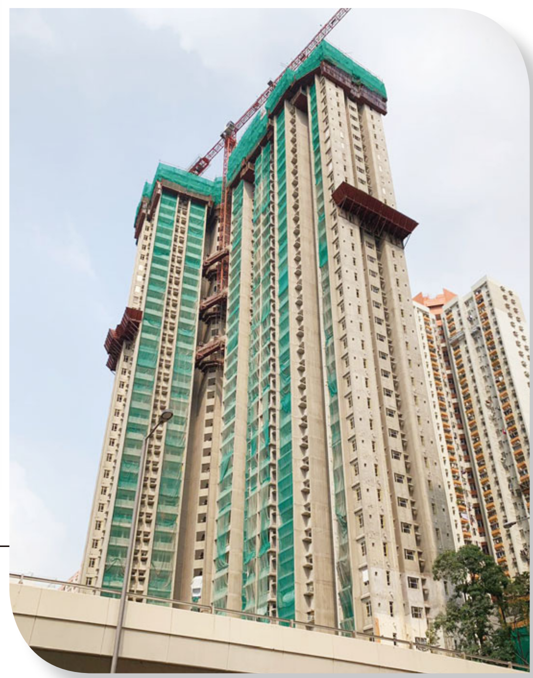
– Steel and metal works

TSEUNG KWAN O

– Steel and metal works

SHATIN

– Steel and metal works



CHAI WAN

– Steel and metal works

Management Discussion and Analysis

Projects completed during the year ended 31 March 2019

KWUN TONG

– Steel and metal works

SHATIN

– Steel and metal works

YUEN LONG

– Steel and metal works

TUNG CHUNG

– Steel and metal works

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Shares were successfully listed on the Main Board of the Stock Exchange on 12 October 2018.

The Group maintained a sound financial position during the year ended 31 March 2019. As at 31 March 2019, the Group had total bank balances and cash of approximately HK$55.0 million (2018: approximately HK$28.6 million). As at 31 March 2019, the Group had net current asset of approximately HK$226.8 million, representing an increase of approximately HK$145.0 million as compared to that of approximately HK$81.8 million as at 31 March 2018.

As at 31 March 2019, the gearing ratio of the Group, calculated based on the total interest-bearing debts (including bank borrowings and obligations under finance leases) divided by the total equity as at the end respective years and multiplied by 100%, was approximately 12.3% (2018: approximately 2.4%). The Group considers the use of debt financing as one of the key funding sources for business expansion after considering the current market interest rate level.

Cash and cash equivalents

There was an increase in the balance of cash and cash equivalents of approximately HK$26.4 million from approximately HK$28.6 million as at 31 March 2018 to approximately HK$55.0 million as at 31 March 2019. The increase in cash and cash equivalents balance was mainly due to (i) the net proceeds arising from the initial public offering on 12 October 2018 of approximately HK$130.0 million; (ii) the net cash flows arising from the bank borrowings of approximately HK$28.6 million; (iii) net proceeds arising from the exercise of share option of approximately HK$11.6 million; and (iv) operating cash inflow before movements in working capital of approximately HK$32.0 million while offset by (i) payment of earnest money pursuant to the strategic cooperation agreement dated 21 December 2018 of approximately HK$22.8 million; (ii) payment of dividends of approximately HK$33.9 million in aggregate during the year ended 31 March 2019; (iii) placement of short term bank deposits of HK$60.0 million; (iv) placement of pledged bank deposits of HK$40.0 million; and (v) payment of income tax of approximately HK$15.8 million.

Borrowings

The major source of debt financing of the Group was mainly from banks.

As at 31 March 2019, the Group had bank borrowings of HK$30 million (31 March 2018: approximately HK$1.4 million). All of the bank borrowings were with a repayment on demand clause. All of the bank borrowings were at floating rate of Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2% per annum.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2019, the Group had HK$40 million bank deposits pledged to the a bank (31 March 2018: the Group had pledged approximately HK$1.3 million of motor vehicles and approximately HK$3.4 million of investment property classified as held for sale).

LITIGATION, CLAIMS AND NON-COMPLIANCES

Save as disclosed in the Prospectus, during the year ended 31 March 2019, the Group had not been involved in claims or litigation which had material adverse effect on our business, results of operations or financial condition or on our Shares.

The outstanding case mentioned in the Prospectus has been settled during the year and there is no further cost shall be borne by the Company.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in HK$ and incurs costs in RMB and HK$. The Group is exposed to foreign exchange risk based on fluctuations between HK$ and RMB arising from its core operation in the PRC. In order to minimise the foreign currency risk exposure between these two currencies, the Group generally maintains cash balances in both currencies that are sufficient to meet at least three to four months of operating cash flows requirements of the Group.

The Group had not experienced any material effects on its operation or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or any hedging instrument during the year ended 31 March 2019. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

INTEREST RATE RISK

The Group's fair value interest rate risk relates primarily to fixed-rate pledged bank deposits and short-term bank deposits. Currently, the Group has not used any derivative contracts to hedge these exposure to interest rate risk. However, management monitors interest rate exposure and will consider hedging interest rate risk should the need arises.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR (2018: Hong Kong dollar prime rate) arising from the Group's variable-rate bank borrowings.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

For the year ended 31 March 2019, the Group has contributed approximately HK$3.3 million in the acquisition of property, plant and equipment mainly for the expansion of our production capacity, of which approximately HK$1.8 million was financed by the net proceeds from the Listing.

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

Details of the movements in property, plant and equipment of the Group during the year ended 31 March 2019 are set out in note 15 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2019 (2018: Nil).

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year ended 31 March 2019, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Report of the Directors

The Directors are pleased to present this directors' report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group provides steel and metal engineering services ranging from design, manufacture, supply and installation of steel and metal products for construction projects in Hong Kong. The Group also sells its steel and metal products to customers, which the Group is not required to provide installation works and after-sale services. Details of the principal activities of the principal subsidiaries are set out in note 38 of the consolidated financial statements of the Group in this annual report.

BUSINESS REVIEW

A 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 section headed "Management Discussion and Analysis" in this annual report. 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" on pages 13 to 26 of this annual report.

The environmental policies and performance, and relationships with employees are set out in the Environmental, Social and Governance Report on pages 44 to 52 of this annual report.

Relationships with employees, customers and suppliers

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

Employees

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing performance appraisal system, and to promote career development and progression by offering training and providing opportunities within the Group for career advancement.

Customers

The Group's principal customers are construction companies in Hong Kong who subcontract the steel and metal engineering works of their projects to us, as well as small and medium size contracts and engineering companies. The Group provides professional and quality services whilst maintaining long term profitability and business growth.

Suppliers

We firmly believe that our suppliers are equally important in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position when bidding for tenders. We proactively communicate with our subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require us to engage subcontractors and suppliers nominated by them, we will select subcontractors and suppliers from our pre-qualified lists of subcontractors and suppliers. In addition, during the continuance of the contracts with our subcontractors, we will supply them with our internal guidelines on safety and environmental issues and require them to follow.

During the year ended 31 March 2019, there was no material dispute or disagreement between the Group and its employees, customers or suppliers.

Compliance with the relevant laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. So far as the Directors is aware, the Group has complied in all material respects with the relevant laws and regulations that have significant impact on the business of the Group.

RESULTS AND FINAL DIVIDENDS

The Group's results for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report.

An interim dividend of HK1.3 cents per Share was paid on 28 December 2018.

The Directors recommended the payment of a final dividend of HK0.5 cent per Share in respect of the year to Shareholders on the register of members on 6 September 2019. The proposed final dividend is subject to the approval of Shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 29 August 2018 and is expected to be paid on or around 20 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) From 26 August 2019 to 29 August 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 annual general meeting. In order to be entitled to attend and vote at the 2019 annual general meeting, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 23 August 2019 (Hong Kong time); and

(ii) From 4 September 2019 to 6 September 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 3 September 2019 (Hong Kong time).

USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK$161.5 million through the global offering upon the Listing. After deducting the listing expenses, the net proceeds amounted to approximately HK$130.0 million. Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

As at 31 March 2019, the net proceeds from the global offering had been applied as follows:

	Planned (HK$'000)	Net Proceeds Utilised (HK$'000)	Unutilised (HK$'000)
Acquiring machines to replace and enhance the Group's production capacity	51,200	1,763	49,437
Expanding the Group's workforce in Hong Kong and the PRC	33,700	519	33,181
Renovation and re-design of the Group's existing production facilities	24,100	798	23,302
Purchasing delivery trucks	5,000	–	5,000
Upgrading the Group's information technology system and equipment	3,500	525	2,975
General working capital	12,500	12,500	–
	130,000	16,105	113,895

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last four financial years is set out on page 122 of this annual report. This summary does not form part of the Group's consolidated financial statements.

DONATIONS

During the year ended 31 March 2019, the Group made charitable donations amounted to HK$1,012,000 (2018: nil).

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2019 are set out in note 28 to the consolidated financial statements in this annual report.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date to 31 March 2019.

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.

DISTRIBUTABLE RESERVES

At 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$170,349,000.

DIRECTORS

The Board comprises the following Directors:

Executive Directors

Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*
Ms. Lau Lai Ching
Mr. Lee Ka Ho *(appointed on 28 June 2019)*
Mr. Pang Ming *(appointed on 28 June 2019)*

Non-executive Director

Mr. Lee Ka Chun Benny

Independent Non-executive Directors

Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, JP
Mr. Tse Ka Ching Justin

Subsequent to the end of the reporting period, on 28 June 2019, Mr. Lee Ka Ho and Mr. Pang Ming were appointed as an executive Director.

In accordance with the Articles, all Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmations from Mr. Au Yeung Wai Key, Hon Cheung Kwok Kwan, *JP*, Mr. Tse Ka Ching, Justin, in respect of their independence in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The executive Directors and the non-executive Director have entered into service agreements with the Company and each of the independent non-executive Directors signed an appointment letter with the Company, for a term of three years commencing from the Listing Date which may be terminated by either party with three months' written notice. All Directors were appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles.

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

Report of the Directors

DEED OF NON-COMPETITION

The Company entered into a deed of non-competition with the Controlling Shareholders namely, Mr. PS Lee, Ms. LC Lau and HY Steel on 19 September 2018 so as to better safeguard the Group from any potential competition and to formalise the principles for the management of potential conflicts between them and to enhance our corporate governance in connection with the Listing.

The independent non-executive Directors have reviewed compliance by the Controlling Shareholders and confirmed that based on the confirmation and information provided by each of the Controlling Shareholders, they were in compliance with the deed of non-competition during the year ended 31 March 2019.

EMOLUMENT POLICY

The Group has a total of 283 employees in Hong Kong and China as at 31 March 2019. The total salaries and related costs granted to employees amounted to approximately HK$68.9 million for the year ended 31 March 2019. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotion.

The remuneration of the Directors is decided by the Board upon the recommendation from the Remuneration Committee after considering the relevant Director's qualifications, experience, responsibilities, duties and performance. The Company has adopted a Share Option Scheme as an incentive to eligible participants, details of which are set out below in the section headed "Share Option Scheme" in this report. The Group has also participated in the mandatory provident fund retirement benefit scheme in Hong Kong, and the central pension scheme operated by the local municipal government in China.

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 8(a) and 8(b) to the consolidated financial statements, respectively.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" below, none of the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year ended 31 March 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 March 2019.

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions, which constituted fully exempted continuing connected transactions of the Group, during the year ended 31 March 2019, details of which are set out in note 35 to the consolidated financial statements of this annual report.

These transactions are de minimus transactions under Rule 14A.76(1) of the Listing Rules and therefore all of them are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

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

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

Name of Director	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company
Mr. PS Lee (Note 2)	Interest in a controlled corporation and interest of spouse	570,000,000(L)	74.26%
Ms. LC Lau (Note 3)	Interest in a controlled corporation and interest of spouse	570,000,000(L)	74.26%

Notes:

1. The letter "L" denotes the director's long position in the Shares.

2. Mr. PS Lee beneficially owns 70% of the issued share capital of HY Steel. Mr. PS Lee is the spouse of Ms. LC Lau and is deemed to be interested in 30% of the issued share capital of HY Steel held by Ms. LC Lau. Therefore, Mr. PS Lee is deemed to be interested in all the Shares held by HY Steel for the purpose of the SFO. Mr. PS Lee is also a director of HY Steel.

3. Ms. LC Lau beneficially owns 30% of the issued share capital of HY Steel. Ms. LC Lau is the spouse of Mr. PS Lee and is deemed to be interested in 70% of the issued share capital of HY Steel held by Mr. PS Lee. Therefore, Ms. LC Lau is deemed to be interested in all the Shares held by HY Steel for the purpose of the SFO. Ms. LC Lau is also a director of HY Steel.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had 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 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 were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were record in the register required to be kept under section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company
HY Steel (Note 2)	Beneficial owner	570,000,000(L)	74.26%

Notes:

1. The letter "L" denotes the substantial shareholder's long position in the Shares.

2. HY Steel is owned by Mr. PS Lee and Ms. LC Lau as to 70% and 30%, respectively.

Save as disclosed above, as at 31 March 2019, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme pursuant to a written resolution passed by its shareholder on 19 September 2018. The Share Option Scheme became unconditional upon the Listing Date. Summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise the contributions that participants have made or may make to the Group with a view to achieve the following objectives, (a) motivate participants to optimise their performance and efficiency for the benefit of the Group, and (b) attract and retain or otherwise maintain ongoing business relationship with the participants whose contributions are, will or expected to be beneficial to the Group.

(ii) Participants

The Board may at its discretion grant options to the following persons as it thinks fit: (a) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which the Group holds an interest or a subsidiary of such company ("**Affiliate**"); or (b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (c) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

(iii) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 76,000,000 Shares, being 10% of the shares in issue as at the Listing Date. 24,000,000 share options had been granted by the Company under the Share Option Scheme up to the date of this annual report. Therefore, the number of Shares available for issue under the Share Option Scheme is 52,000,000 Shares, representing approximately 6.77% of the issued shares capital of the Company as at the date of this annual report.

(iv) Maximum entitlement of each participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each participant under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being.

(v) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of termination thereof.

Report of the Directors

(vi) Minimum period

The Board at its discretion may impose such terms and conditions of the offer of grant on a case-by-case basis including but not limited to the minimum period for which an option must be held.

(vii) Payment on acceptance of option

A consideration of HK$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company is payable by the participant who accepts the grant of an option in accordance with the terms of the Share Option Scheme on acceptance of the grant of an option.

(viii) Basis of determining the exercise price

The exercise price of the share option will be determined at the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be on a day on which the Stock Exchange is open for the business of dealing in securities; (b) an amount equivalent to the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the relevant option; and (c) the nominal value of a Share on the date of grant.

(ix) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years, after which no further options may be issued but the provisions of the Share Option Scheme shall remain in force in all other respects.

The movements of share options during the year ended 31 March 2019 were as follows:

Category of grantees	Date of grant	Exercisable period	Exercise price per Share (HK$)	Granted	Exercised	Cancelled	Forfeited	As at 31 March 2019
Senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	–	(50,000)	–	4,350,000
		11 January 2023 to 10 January 2024	1.53	4,400,000	–	(50,000)	–	4,350,000
		11 January 2019 to 10 January 2020	1.53	7,600,000	(7,600,000)	–	–	–
Consultant	11 January 2019	11 January 2019 to 10 January 2021	1.53	7,600,000	–	–	–	7,600,000

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, the aggregate revenue from the Group's largest customer and five largest customers accounted for approximately of 23.2% and 72.6% of the total revenue, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately of 14.1% and 42.1% of the total purchases for the year ended 31 March 2019, respectively.

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the number of issued Shares Company) had any beneficial interest in the Group's five largest customers or suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float requirements under the Listing Rules from the Listing Date and up to the date of this annual report.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Details of the significant events of the Group subsequent to the end of the reporting period are set out in note 39 to the consolidated financial statements of this annual report.

PERMITTED INDEMNITY PROVISION

During the year ended 31 March 2019, a permitted indemnity provision as required by the Companies Ordinance (Chapter 622, the Laws of Hong Kong) was in force for the benefits of all Directors.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2019 have been audited by Messrs. Deloitte Touche Tohmatsu.

Messrs. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment. A resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LEE Pui Sun
Chairman

Hong Kong 27 June 2019

Corporate Governance Report

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to protect the interest of its Shareholders and to place importance on its corporate governance system.

This report describes the Company's corporate governance practices and structures that were in place during the financial year ended 31 March 2019, with specific reference to the principles and guidelines of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange.

Since the Listing Date and up to 31 March 2019, in the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation as mentioned below:

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. PS Lee currently serves as the chairman of the Board and the chief executive officer of our Group. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

All the Directors confirmed, upon specific enquiry made, that they have complied with the Model Code since the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, and delegates day-to-day operations to the management team of the Group. The Board provides directions to the management team by laying down strategies and plans, and then oversees the implementation performed by the management team. The Board also timely monitors the Group's operational and financial performance through monthly reports prepared by the management team of the Group. The Board also reviews the compensation policies, succession planning, internal control system and risk management system regularly through various committee established under the Board.

Composition

The Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors

Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*
Ms. Lau Lai Ching
Mr. Lee Ka Ho *(appointed on 28 June 2019)*
Mr. Pang Ming *(appointed on 28 June 2019)*

Non-executive Director

Mr. Lee Ka Chun Benny

Independent Non-executive Directors

Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, JP
Mr. Tse Ka Ching Justin

The relationships among members of the Board have been disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. During the period from the Listing Date to 31 March 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

Independence of the independent non-executive Directors

The Company has received annual written confirmations from all independent non-executive Directors with regard to their independence, and therefore the Company still consider, based on the guidelines set out in Rule 3.13 of the Listing Rules, that all independent non-executive Directors to be independent.

Continuous professional development

During the year ended 31 March 2019, all of the Directors participated in continuous professional development by either attending external seminars and conferences, or reading materials relating corporate governance practices, directors' duty and the Listing Rules.

Appointment & re-election of Directors

The procedures and process of appointment and re-election of the Directors are laid down in the Articles. Pursuant to the Articles, 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. 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 the Shareholders.

All directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

Indemnity of Directors

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

Corporate Governance Report

Board Committees

The Board has established three Board committees, being the Audit Committee, the Nomination Committee and the Remuneration Committee, to oversee different areas of the Company's affairs. The terms of reference of the Board committees are published on the Company's website and the website of the Stock Exchange.

Audit Committee

Our Company established the Audit Committee on 19 September 2018 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process, internal control and risk management system, nominate and monitor external auditors, provide advice and comments to the Board on matters related to corporate governance and perform other duties and responsibilities as assigned by the Board.

The Audit Committee is currently chaired by Mr. Tse Ka Ching, Justin and the other members of the Audit Committee are Mr. Au Yeung Wai Key and Hon Cheung Kwok Kwan, *JP*. All members of the Audit Committee are independent non-executive Directors.

The work performed by the Audit Committee during the year ended 31 March 2019 comprises the following:

– reviewed the interim results announcement and the interim report of the Group for the six months ended 30 September 2018;

– reviewed the Group's dividend policy and recommended the distribution of interim dividend for the year ended 31 March 2019;

– made recommendations to the Board on reappointment of the Company's external auditor;

– approved the remuneration and terms of engagement of the Company's external auditor;

– reviewed and monitoring the independence of the Company's external auditor, objectivity and the effectiveness of the audit process;

– reviewed the effectiveness and resources of the risk management and internal control systems of the Group;

– reviewed the Group's risk management and financial control system; and

– reviewed the Group's accounting policies and practices.

Remuneration Committee

Our Company established the Remuneration Committee on 19 September 2018 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on our Company's policy for human resource management as well as establish and review policies and structure in relation to remuneration for our Directors and senior management.

The Remuneration Committee is currently chaired by Mr. Au Yeung Wai Key and the other members of the Remuneration Committee are Mr. Tse Ka Ching, Justin and Hon Cheung Kwok Kwan, *JP*. All members of the Remuneration Committee are independent non-executive Directors.

The work performed by the Remuneration Committee during the year ended 31 March 2019 comprises the followings:

– reviewed the remuneration of Directors and senior management;

– assessed performance of executive Directors and approved the terms of executive Directors' service contracts; and

– assessed the share option scheme and recommended the grant of share options to the eligible persons.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration paid to the senior management by band for the year ended 31 March 2019 is set out below:

Remuneration bands	Number of individual(s)
HK$2,000,001 to HK$2,500,000	1
HK$1,000,001 to HK$2,000,000	3
Below HK$1,000,000	1

Details of remuneration of the Directors and the five highest paid individuals are set out in notes 8(a) and 8(b) to the consolidated financial statements of this annual report, respectively.

Nomination Committee

Our Company established the Nomination Committee on 19 September 2018 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board on the appointment of Directors, to review the composition of the Board, and to assess the independence of independent non-executive Directors.

The Nomination Committee is currently chaired by Hon Cheung Kwok Kwan, *JP* and the other members of the Nomination Committee are Mr. Au Yeung Wai Key and Mr. Tse Ka Ching, Justin. All members of the Nomination Committee are independent non-executive Directors.

The work performed by the Nomination Committee during the year ended 31 March 2019 comprises the following:

– reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

– made recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate;

– assessed the independence of independent non-executive directors in accordance with the provisions of the Listing Rules and other relevant laws, rules and regulations;and

– reviewed the board diversity policy, developed and reviewed measurable objectives for implementing the board diversity policy and monitoring the progress on achieving these objectives.

Corporate Governance Report

Board Diversity Policy

The Board recognises the importance of diversity in the Board composition and has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, selection of candidates has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has considered and reviewed the composition and diversity of the Board. All the executive Directors and non-executive Director possess extensive and diversified experience in management and industrial experience. The three independent non-executive Directors possess professional knowledge in management, finance, accounting and legal aspects. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness.

Board and Board committee meetings

Code provision A.1.1 of the Corporate Governance Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

The attendance of each Director for the Board meetings and Board committee meetings held during the year ended 31 March 2019 is set out in the following table:

	Attendance/Number of Meetings			
Name of Director	Board	Audit Committee	Nomination committee	Remuneration Committee
Executive Directors(Note)				
Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*	5/5	N/A	N/A	N/A
Ms. Lau Lai Ching	5/5	N/A	N/A	N/A
Non-executive Director				
Mr. Lee Ka Chun Benny	5/5	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Au Yeung Wai Key	3/3	1/1	1/1	1/1
Hon Cheung Kwok Kwan	3/3	1/1	1/1	1/1
Mr. Tse Ka Ching Justin	3/3	1/1	1/1	1/1

Note: Mr. Lee Ka Ho and Mr. Pang Ming were appointed on 28 June 2019.

Apart from the above Board meetings, the Chairman also held a meeting with the independent non-executive Directors only without the presence of other Directors during the year ended 31 March 2019.

The Company has not held any general meetings during the year ended 31 March 2019.

AUDITOR'S REMUNERATION

For the year ended 31 March 2019, the remuneration paid or payable to Messrs. Deloitte Touche Tohmatsu and its affiliate companies in respect of audit and non-audit services provided is set out below:

Services rendered	Remuneration paid/payable (HK$'000)
Audit services	1,430
Non-audit services	3,008
	4,438

The fees attributable to the non-audit services above mainly include the service fee paid to Messrs. Deloitte Touche Tohmatsu as the reporting accountants of the Company in connection with the initial public offering and the review of the Group's condensed consolidated financial statements.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the year ended 31 March 2019 that give a true and fair view of the state of affairs of the Group in accordance with HKFRSs. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of the Company's auditor with regards to the consolidated financial statements of the Group are set out in the independent auditor's report as contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The Board and the Audit Committee will review the need for an internal audit function from time to time. During the year ended 31 March 2019, the Board confirms that it has conducted a review of the risk management and internal control systems of the Group by the external internal control consultant. The Board concludes, based on the result of the review, that the risk management and internal control systems currently in place are adequate and effective for the year ended 31 March 2019.

COMPANY SECRETARY

Mr. Leung Wing Lun is the company secretary of the Company. The biographical details of Mr. Leung are set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Corporate Governance Report

During the year ended 31 March 2019, the company secretary of the Company had confirmed that he had taken no less than 15 hours of relevant professional training in compliance with the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to send enquiries

Shareholders may at any time raise enquiries to the Board. The enquiries must be in writing with contact information of the Shareholder(s) and deposited at the principal place of the business of the Company in Hong Kong at Unit B, Upper G/F, Stage 4, Yau Tong Industrial Building, 18 –20 Sze Shan Street, Yau Tong, Kowloon, Hong Kong for the attention of the company secretary of the Company.

Procedure for convene an extraordinary general meeting

Any one or more duly registered holder of the Shares holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Dividend policy

The Company has adopted a dividend policy with effect from 1 January 2019, pursuant to which the Company may declare and distribute dividends to allow Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for further growth In deciding whether to recommend the payment of dividend to Shareholders, the Board shall take into account, among others, the general financial condition of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, retained earnings and distributable reserves, the general market conditions and any other factors that the Board deems appropriate. The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion and the Board will review the dividend policy of the Company on a regular basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual report and interim report, notices, announcements and circulars that are available on Company's website at www.hy-enginerring.com.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2019, the shareholder has passed a written resolution on 19 September 2018 approving the adoption of amended and restated memorandum and articles of association of the Company. Save as the aforesaid, there has been no changes in the constitutional documents of the Company.

The amended and restated memorandum and articles of association of the Company are available for viewing on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

INTRODUCTION

During the year ended 31 March 2019, business has taken leaps forward and obtained listing status in its city of origin – on the Hong Kong Stock Exchange. As such, the Group has vastly grown and transformed over the years. We understand the importance of being responsible for the potential impacts of our business decisions in the realms of the environment, society and governance. The Group believes a healthy environmental, social and governance performance allows us to achieve continuous success and create values for our Shareholders in the long run. In order to pursue a successful and sustainable business model, the Group recognises the importance of integrating environmental, social and governance aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective. Hence, we taken corresponding measures in our daily operation and governance perspective.

Unless otherwise stated, this ESG Report mainly covers the environmental, social and governance aspects of the Group's principal business steel and metal engineering services and the sales of steel and metal products.

The information disclosed in this ESG Report is derived from the Group's public information, official documents, and internal statistics. Environmental, Social and Governance Report (the "**ESG Report**") observing the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

The Report contains and summarises available information for the year ended 31 March 2019 in a quantitative and balanced manner, based on the principles of consistency and materiality. Collection and compilation of the above received support and approval from the Board of Directors and management of the Group. The Group welcomes feedback and suggestions on improving the presentation and reporting methods of the Report.

OUR ENVIRONMENTAL POLICY

Mindful of the impact our business can have on the environment, the Group follows a systematic approach in the course of mitigating pollution. First and foremost, the Group fully complies with relevant rules and regulations on both national and regional levels, which include the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, the Guangdong Province Environmental Protection Regulation and the environmental protection related laws and regulations in Hong Kong.

Beyond compliance, the Group strives to reduce environmental impact by implementing an Environmental Management System (EMS) to develop, manage and assess its performance on pollution prevention and waste reduction. The EMS adopted by our main manufacturing facility in Huizhou, Guangdong Province has been certified to meet the requirements of ISO 14001:2015.

The Group focuses on four areas of impact related to its production, namely the management of gas emission, noise levels, sewage discharge and solid waste. Due to limitations in recording all items of consumptions and emissions, the following demonstrates consumption data recorded from our offices, production facility and vehicles.

Emissions and Wastes

Greenhouse Gas and Emissions

The year ended 31 March 2019

Total greenhouse gas emissions (kg CO_2 equivalent)

455,815

SO_x (g)

1,766

NO_x (g)

646,507

PM (g)

46,926

The Group's greenhouse gas and emissions are mainly attributable to electricity consumption and transportation. For the year ended 31 March 2019, we recorded decreases in most of the activities of electricity and transportation fuel consumption thanks to more stringent execution of internal policies and the upkeep of energy efficiency. Overall greenhouse gas in carbon dioxide (CO_2) equivalent and sulphur oxides (SO_x) emissions recorded decreases. We did observe increased emission in nitrogen oxides (NO_x) and particulate matter (PM), which is explained by more vehicles employed to meet transportation needs for the Group's operations. The Group will be monitoring and refining logistic plans to minimise the resulting emissions.

Gas emissions in our production process were mainly generated from welding fumes, electricity consumption and transportation of material. Within our production facility, ventilation and filtering systems are in place to reduce the concentration of pollutants. Also, we conduct careful logistical planning to avoid unnecessary transportation trips.

Hazardous Sewage Discharge and Treatment

Since sewage generated from production contains hazardous waste, it is stringently controlled to minimise usage. The amount and source of discharge are recorded and submitted for approval by the local department of environmental protection in the PRC, Discharges are then transferred for hazardous sewage treatment.

Source of sewage

Sewage discharged (L)

The year ended 31 March 2019

Huizhou Hengyi Wujin Zhipin Limited
(惠州恒益五金制品有限公司)

4,000

Discharge destination

Dong River

Meanwhile, general sewage from living activities is gathered and primarily treated at the facility for safe disposal into the city's water treatment system.

Non-hazardous Waste

Our non-hazardous solid wastes mainly consist of paper and other general wastes, which are sorted for recycling before disposal. Employees are always encouraged to reduce and recycle all solid wastes.

Environmental, Social and Governance Report

Noise Levels

Production noise comes from the operation of heavy machinery, which is regularly checked to stay in optimal conditions and thus generate the minimal level of noise. Sound-proofing design and structures were adopted in the construction of production facilities.

Use of Resources

Fuel Consumption

	The year ended 31 March 2019
LPG (L)	37,932
Diesel (L)	103,479
Unleaded petrol (L)	5,468
Petrol (L)	6,824
Total (L)	153,703

Consumption of Resources

	The year ended 31 March 2019
Electricity (kWh)	569,004
Water (tonnes)	9,058
Paper (kg)	2,001
Paper packaging (kg)	13,180
Plastic packaging (kg)	8,810
Wooden packaging (kg)	8,410

As the Group both manufactured products and provided engineering services during the year, the following consumption or usage intensity of resources is calculated per million Hong Kong dollars in revenue.

Consumption Intensity per million Hong Kong dollars in revenue

	The year ended 31 March 2019
Electricity (kWh)	3,126.4
Water (tonnes)	49.8
Paper (kg)	11.0
Paper packaging (kg)	72.4
Plastic packaging (kg)	48.4
Wooden packaging (kg)	46.2

During the year ended 31 March 2019, the total fuel consumed totalled to a decrease of 95,473 litres from the year before. Consumption amounts of electricity, water, paper, paper packaging, plastic packaging and wooden packaging all recorded decreases in the year ended 31 March 2019 compared to the previous year. As for consumption or usage intensity, the Group was able to attain decreases in all items reported above, thanks to our effort in increasing our energy efficiency. The use of water especially relates the Group's manufacturing segment to nature resources, to which the EMS system gives great emphasis on minimising wastage and usage efficiency. Manufacturing staff are instructed to accurately fill water to production line according to production volume, filtering and reusing water, water-saving instructions for everyday usage.

EMPLOYMENT AND LABOUR PRACTICES

A series of internal policies have been set out and published are executed by the department of human resources under supervision of the corporate governance team. We view it as our goal to appreciate, protect and care for all who contribute to our business growth.

Environmental, Social and Governance Report

For the year ended 31 March 2019, employee statistics of the Group categorised by job function, gender, age group and employment location are shown below:

	For the year ended 31 March 2019
By Job Function	
Executive Directors and Senior Management	**8**
Project Management and Supervision	**20**
Finance and Accounting	**5**
Administrative and Human Resources	**19**
Production Workers	**115**
Site Workers	**102**
Warehouse and Logistics	**14**
By Gender	
Male	**250**
Female	**33**
By Age Group	
≤30	**41**
30-40	**43**
40-50	**98**
50-60	**76**
≥60	**25**
By Employment Location	
Guangdong	**142**
Hong Kong	**141**
Total	**283**

Employment Standards

The Group practises equal employment and it is important to ensure that employment is not interfered by the job applicant's gender, age, family status, ethnicity and religion. For the year ended 31 March 2019, the Group was not aware of any non-compliance case in relation to employment.

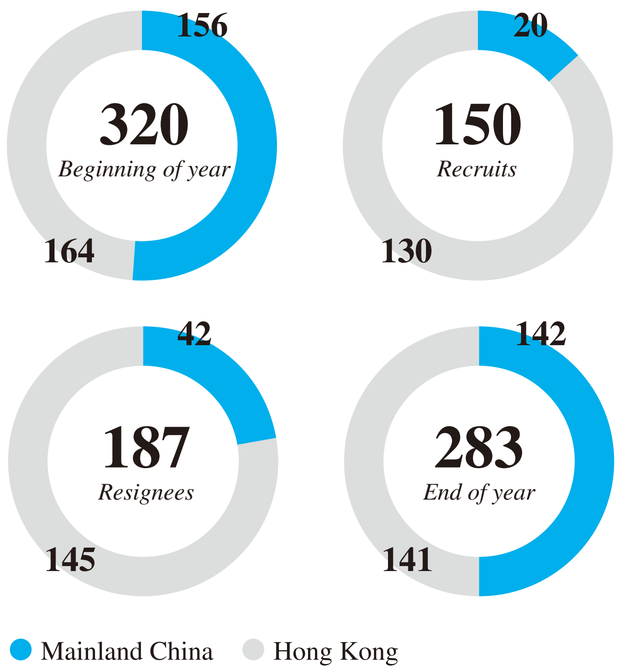
The Group prohibits the use of child labour or forced labour in any form. During recruitment process, the human resource department of the Group will to check the personnel identification documents of the job applicant to ensure the job applicant is over the legally authorised working age. To prevent forced labour practices, sufficient rest days are given to employees according to the relevant laws and regulations in Hong Kong and the PRC.

For the year ended 31 March 2019, the Group was not aware of any material non-compliance with applicable standards, rules and regulations relating to child or forced labour.

In terms of insurance and benefits provision, the Group observes all legally required insurances and retirement contributions for employees according to internal guidelines, which is updated immediately in case of change in institutional requirements. Such include, among others, employees' compensation insurance and Mandatory Provident Fund in the Hong Kong region and social insurance in the PRC. Beyond that, our production staff are also provided with free health check-up annually.

To reward our employees and to show our care and appreciation, they are eligible for bonuses and certificates of commendation. Meanwhile, birthday gifts, lucky draws and leisure travels are organised for our staff.

To retain our employees, employee's remuneration and benefits have been enhanced to a competitive level. Work hours were reduced, and we allow no more than 20 hours of overtime work per employee. We also utilize merit point system, organise morning and evening exercises and quarterly galas. Below are the Group's headcounts for the year ended 31 March 2019:



Health and Safety

The Group recognizes that employees are the most important asset to foster business growth and understands the relatively high risks this industry poses on its frontline workers' safety and health. Hence, the Group is committed to improve the safety standards of the workplace. During the year ended 31 March 2019, we have complied in material respects with all applicable laws and regulations in relation to health and safety.

We care for the physical and mental health for our staff. Further than medical insurance, we provide yearly health check-ups to our production staff to help them monitor their health conditions. We also organize daily morning exercises to promote a healthy lifestyle. Our safety training routine includes pre-job trainings, daily morning safety briefings and monthly and yearly safety courses.

In our human resources policies, detailed safeguard guidelines and accident reporting procedures are stated clearly. We developed occupational safety measures such as protective clothing, working instructions, and in-house safety rules to minimize work-related accidents and the staffs' exposure to toxic hazards. All work-related accidents shall be reported to department heads immediately and recorded in our internal documents. In relation to the work environment, regular inspections are conducted to maintain safe levels of noise, dust particles and contaminants in industrial sewage. For such purposes, obsolete machinery and facilities are replaced to reduce exposure.

During the year ended 31 March 2019, no serious or fatal incidents were involved in the Group's operations. Work-related injuries involved 2 workers and subsequently, 126 lost workdays. The injured staffs had medical insurance provided by the Group. After medical treatment, they have recovered and resumed duty. No work-related injuries were reported for the year ended 31 March 2019.

For the year ended 31 March 2019	
Number of injured employees involved in occupational accidents	2
Number of deaths due to occupational accidents or occupational diseases	0
Number of lost workdays lost due to occupational injury	126

During the year ended 31 March 2019, in recognition of our efforts in promoting workplace safety and its results, we received Certificates of Zero Accident from Sun Fook Kong Construction Group and The Best Safety and Health Contractor Award from Hsin Chong Construction Co., Ltd.

Environmental, Social and Governance Report

Development and Training

In keeping with our professionalism and strict compliance as a public company, our employees from frontline workers, management and our Directors receive regular trainings. For instances, workers are trained and refreshed on internal vocational safety and technical skills while the management and Directors participate in courses for corporate governance, financial reporting, investor relations, public relations etc.

The table below summarises training statistics for the year ended 31 March 2019:

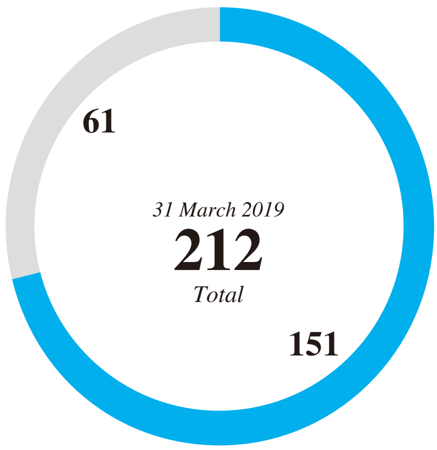
	For the year ended 31 March 2019
Number of employees trained	185
Total training hours	1,361
Employees trained, by gender	
Male	157
Female	28
Employees trained, by job categories	
Executive Directors and senior management	16
Project management and supervision	24
Finance and accounting	6
Administrative and human resources	5
Research and development	4
Manufacturing	105
Quantity surveying	1
Tender submission	1
Project coordination	2
Security	4
Janitorial	4
Maintenance	3
Warehousing	4
Loading and unloading	4
Procurement	1
Transportation	1

OPERATING PRACTICES

During our operating history, we always evaluate and adjust the methods and principles we adopt for managing the company. More effort and time were invested in this after our listing in order to achieve the best results at regulatory compliances, business efficiency, and customers' satisfaction. For instance, comprehensive guidelines on copyright protection were issued by our management team and approved by our Directors, covering copyright ownership, copyright registration and renewal processes, and accountability, etc.

Supply Chain Management

Established and long-term relationships with our suppliers is one of our strongest advantages throughout the years. The table below summarises the number of suppliers for the last two years:



Number of PRC suppliers
Number of Hong Kong suppliers

In order to maintain the growing database of suppliers and regulate our procurement processes, we recently updated the terms of our procurement management, requesting responsible staffs to carefully investigate the qualifications of suppliers and thoroughly compare the prices and quality. Standards considered when evaluating a supplier include turnaround time, pricing, quality, technology, market reputation, regulatory compliances, commitment, and finally, social responsibilities.

Product Responsibility

In most cases, we provide tailor-made products and services to our client. Our production line covers roughly 10 procedures, from choosing and cutting the right material, to the meticulous final polishing, all aiming at ensuring the quality and standard of our products. We were awarded ISO9001 Quality Management System Certificate in acknowledgement of our effort in meeting the strict standards and producing the best possible products.

During the year ended 31 March 2019, there were no recalls for safety and health reasons nor did the Group received products and service-related complaints. To the best of the Group's knowledge, the Group did not commit any breach of intellectual property rights or consumer data protection and privacy policies.

Anti-corruption

Upholding high standards in professional ethics, we discourage our staffs to accept valuable gifts from business partners while the offering and taking of bribery is strictly prohibited. For gifts valued above HK$300, employees are requested to report to their department head and for gifts above HK$5,000, our Directors are to be informed to avoid possible conflict of interest. We encourage all employees to report any cases of incompliance and keep all channels open for anonymous reporting.

In order to execute our anti-corruption policies and keep our management team refreshed at these rules, we organise multiple trainings and lectures during the year. No corruption cases were reported during the year. The table below sets out number of the training and result of our anti-corruption effort:

For the year ended 31 March 2019	
Number of anti-corruption trainings	1
Number of employees trained	9
Number of corrupted cases	0
Number of personnel punished	0

Environmental, Social and Governance Report

COMMUNITY INVESTMENT

The Group dedicates itself in fulfilling its social responsibilities to contribute to the community and to create values for the society and environment. We see paramount importance for the Group's as a corporate citizen to be in touch with groups of various social backgrounds.

The Group encourages its employees to participate in social and charitable events. During the year end 31 March 2019, some management and staff paid visits to Lok Sin Tong Leung Kau Kui Home for the Elderly (樂善堂梁銶琚敬老之家) and a children care organisation on behalf of the Group, to show their support and care to the community.

During the year ended 31 March 2019, the Group donated $1,000,000 in towards to the Community Chest of Hong Kong, as well as sponsored the Spring Show for Elderly (新春聯歡敬老匯演) held by Friends of Nam Cheong East (南昌東之友).

AWARDS AND CERTIFICATIONS

During the year ended 31 March 2019, the Group received several awards and certificates from different organisations for its professional performances as follow:

- *Award for "Talent/Reward" (「人才／獎勵」) (Credit)* from Chun Wo Construction& Engineering Co., Ltd.
- *Certificates of Zero Accident* from Sun Fook Kong Construction Group
- *The Best Safety and Health Contractor Award* from Hsin Chong Construction Co., Ltd.
- *Environmental Management System – Certificate of Approval* for meeting the requirements of GB/T 24001-2016/ISO 14001:2015 by DAS Certification
- *Quality Management System – Certificate of Approval* for meeting the requirements of GB/T 19001-2016/ISO 9001:2015 by DAS Certification

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF HANG YICK HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hang Yick Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 121, 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 judgement, 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 recognition for provision of steel and metal engineering services	
We identified the revenue recognition for provision of steel and metal engineering services as a key audit matter due to its significance to the consolidated financial statements. During the year ended 31 March 2019, the Group generated revenue of HK$147,855,000 from provision of steel and metal engineering services as disclosed in note 6 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, the Group recognised revenue from provision of steel and metal engineering services over time using output method, i.e. based on surveys of steel and metal work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers or estimated with reference to the progress payment application submitted by the Group to the customers in relation to the work completed by the Group.	Our procedures in relation to the revenue recognition for provision of steel and metal engineering services included: • obtaining an understanding on the management's key process in recognition of the contract revenue for provision of steel and metal engineering services; • checking the total contract value to the contracts and variation orders (if any) to the agreements or other correspondence, on a sample basis; and • evaluating the reasonableness of revenue from provision of steel and metal engineering services recognised to date by: – Checking to the certificates issued by the architects or surveyors appointed by the customers before and subsequent to year end date to evaluate the value of work already performed during the year and the subsequent progress of respective projects, on a sample basis; and – Discussing with the management of the Group to understand the status of respective engineering service contracts, on a sample basis.

Independent Auditor's Report

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 significance of trade receivables and contract assets to the Group's consolidated financial position and 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 amounting to approximately HK$11,241,000 and HK$47,492,000 respectively, which represented approximately 3.9% and 16.6% of total assets of the Group respectively, and approximately HK$3,061,000 out of these trade receivables were past due. As disclosed in note 5 to the consolidated financial statements, the management of the Group assesses ECL of trade receivables and contract assets that are arising from the provision of steel and metal engineering services or credit impaired individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables based on provision matrix through grouping of various debtors that have similar loss pattern, after considering internal credit ratings of trade debtors and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information. The loss allowance amount of the credit impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 32 to the consolidated financial statements, the Group's lifetime ECL on trade receivables and contract assets as at 31 March 2019 amounting to approximately HK$3,594,000 in aggregate.	Our procedures in relation to impairment assessment of trade receivables and contract assets included: • obtaining an understanding of how the management estimates the credit loss allowance for trade receivables and contract assets; • testing the accuracy of information used by the management to assess ECL, including trade receivables ageing analysis as at 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant invoices on progress payments of contract works; and • challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 March 2019, including their identification of credit impaired trade receivables and contract assets which are assessed for ECL individually, the estimation of loss rate for debtors arising from the provision of steel and metal engineering services and are assessed individually, the reasonableness of management's grouping of the remaining trade receivables into different categories in the provision matrix by internal credit ratings of trade debtors and/or past due status of respective trade receivables, and the basis of estimated loss rates applied in each category in the provision matrix.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

- 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.

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 this independent auditor's report is Lee Wing Cheong, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	NOTES	Year ended 31 March 2019 HK$'000	2018 HK$'000
Revenue	6	**181,926**	199,199
Direct costs		**(121,447)**	(124,840)
Gross profit		**60,479**	74,359
Impairment loss on trade receivables and contract assets		**(3,594)**	–
Other income and other gains and losses	9	**2,244**	7,784
Administrative expenses		**(23,190)**	(13,091)
Finance costs	10	**(72)**	(121)
Listing expenses		**(12,768)**	(6,397)
Profit before taxation	11	**23,099**	62,534
Income tax expense	12	**(7,038)**	(10,310)
Profit for the year		**16,061**	52,224
Other comprehensive (expense) income for the year			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operation		**(2,169)**	429
Total comprehensive income for the year		**13,892**	52,653
Earnings per share	14		
Basic (HK cents)		**2.4**	9.2
Diluted (HK cents)		**2.4**	N/A*

* Not applicable

Consolidated Statement of Financial Position

As at 31 March 2019

	NOTES	As at 31 March 2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**13,138**	13,153
Prepaid lease payments	17	**3,901**	4,368
Deposits	20	**179**	–
		17,218	17,521
Current assets			
Inventories	18	**23,640**	18,674
Prepaid lease payments	17	**188**	201
Trade receivables	19	**11,241**	17,850
Other receivables, deposits and prepayments	20	**27,610**	4,333
Contract assets	21	**47,492**	27,090
Tax recoverable		**3,977**	–
Pledged bank deposits	22	**40,000**	–
Short-term bank deposits	22	**60,000**	–
Bank balances and cash	22	**54,977**	28,603
		269,125	96,751
Assets classified as held for sale	16	**–**	3,410
		269,125	100,161
Current liabilities			
Trade and other payables and accruals	23	**11,401**	10,982
Contract liabilities		**915**	676
Obligations under finance leases	24	**–**	661
Tax payable		**–**	4,721
Bank borrowings	25	**30,000**	1,357
		42,316	18,397
Net current assets		**226,809**	81,764
Total assets less current liabilities		**244,027**	99,285

Consolidated Statement of Financial Position

As at 31 March 2019

	NOTES	As at 31 March 2019 HK$'000	2018 HK$'000
Non-current liabilities			
Provisions	26	**197**	254
Deferred tax liabilities	27	**65**	122
Obligations under finance leases	24	**–**	352
		262	728
Net assets		**243,765**	98,557
Capital and reserves			
Share capital	28	**7,676**	–*
Reserves		**236,089**	98,557
Equity attributable to owners of the Company		**243,765**	98,557

* Amount less than HK$1,000

The consolidated financial statements on pages 58 to 121 were approved and authorised for issue by the Board of Directors on 27 June 2019 and are signed on its behalf by:

Lee Pui Sun
DIRECTOR

Lau Lai Ching
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017	10	–	–	–	40	69,854	69,904
Profit for the year	–	–	–	–	–	52,224	52,224
Exchange difference arising on translation of foreign operation	–	–	–	–	429	–	429
Total comprehensive income for the year	–	–	–	–	429	52,224	52,653
Group reorganisation	(10)	–	–	10	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	(24,000)	(24,000)
At 31 March 2018	–*	–	–	10	469	98,078	98,557
Profit for the year	**–**	**–**	**–**	**–**	**–**	**16,061**	**16,061**
Exchange difference arising on translation of foreign operation	**–**	**–**	**–**	**–**	**(2,169)**	**–**	**(2,169)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(2,169)**	**16,061**	**13,892**
Dividends recognised as distribution (note 13)	**–**	**–**	**–**	**–**	**–**	**(33,880)**	**(33,880)**
Capitalisation issue (note 28(e))	**5,700**	**(5,700)**	**–**	**–**	**–**	**–**	**–**
Issue of new shares upon share offer (note 28(f))	**1,900**	**159,600**	**–**	**–**	**–**	**–**	**161,500**
Transaction costs attributable to issue of new shares	**–**	**(12,387)**	**–**	**–**	**–**	**–**	**(12,387)**
Recognition of equity-settled share-based payments (note 37)	**–**	**–**	**4,455**	**–**	**–**	**–**	**4,455**
Issue of new shares upon exercise of share options (note 28(g))	**76**	**13,188**	**(1,636)**	**–**	**–**	**–**	**11,628**
At 31 March 2019	**7,676**	**154,701**	**2,819**	**10**	**(1,700)**	**80,259**	**243,765**

* Amount less than HK$1,000

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**23,099**	62,534
Adjustments for:		
Depreciation on property, plant and equipment	**2,636**	2,685
Depreciation on investment properties	**–**	253
Equity-settled share option expenses	**4,455**	–
Amortisation of prepaid lease payments	**188**	190
Finance costs	**72**	121
Bank interest income	**(698)**	(10)
Impairment loss on trade receivables and contract assets	**3,594**	–
Gain on disposal of property, plant and equipment	**–**	(50)
Gain on disposal of investment property classified as held for sale	**(1,339)**	–
Gain on disposal of investment properties	**–**	(6,320)
Reversal of provisions	**(57)**	–
Operating cash flows before movements in working capital	**31,950**	59,403
Decrease in trade receivables	**4,100**	9,358
Increase in other receivables, deposits and prepayments	**(221)**	(2,442)
(Increase) decrease in inventories	**(6,161)**	9,567
Increase in contract assets	**(21,497)**	(2,755)
Increase (decrease) in trade and other payables and accruals	**576**	(3,507)
Increase (decrease) in contract liabilities	**239**	(249)
Decrease in amounts due from related companies	**–**	9,603
Decrease in provisions	**–**	(73)
Cash generated from operations	**8,986**	78,905
Income tax paid	**(15,789)**	(18,457)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(6,803)**	60,448
INVESTING ACTIVITIES		
Bank interest received	**180**	10
Placement of pledged bank deposits	**(40,000)**	–
Placement of short-term bank deposits	**(60,000)**	–
Earnest money paid	**(22,800)**	–
Purchases of property, plant and equipment	**(2,975)**	(3,294)
Proceeds from disposal of property, plant and equipment	**–**	50
Proceeds from disposal of investment properties	**–**	10,600
Proceeds from disposal of investment property classified as held for sale	**4,749**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(120,846)**	7,366

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Interests paid	**(46)**	(121)
Dividends paid	**(33,880)**	(24,000)
Proceeds from issue of shares	**161,500**	–
Proceeds from issue of shares upon exercise of share options	**11,628**	–
Transaction costs attributable to issues of shares	**(12,387)**	–
Repayments to Controlling Shareholders	**–**	(45,014)
Advances from Controlling Shareholders	**–**	368
Repayment to a related company	**–**	(273)
New bank borrowings raised	**30,000**	–
Repayments of bank borrowings	**(1,357)**	(579)
Repayments of obligations under finance leases	**(1,302)**	(1,279)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**154,156**	(70,898)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**26,507**	(3,084)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**28,603**	31,387
Effect of foreign exchange rate changes	**(133)**	300
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**54,977**	28,603

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

1. GENERAL

Hang Yick Holdings Company Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 March 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 October 2018 through global offering ("the Listing"). Its immediate and ultimate holding company is HY Steel Company Limited ("HY Steel"), a company incorporated in the British Virgin Islands ("BVI") and owned as to 70% equity interest held by Mr. Lee Pui Sun ("Mr. PS Lee"), who is the chairman and executive director of the Company, and 30% equity interest held by Ms. Lau Lai Ching ("Ms. LC Lau"), the spouse of Mr. PS Lee, who is the executive director of the Company (collectively referred to as the "Controlling Shareholders"). The address of the Company's registered office and principal place of business are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38.

The consolidated financial statements are presented in Hong Kong dollar (HK$), which is also the functional currency the Company and all values are rounded to the nearest thousands (HK$'000) except when otherwise indicated.

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

Prior to a group reorganisation as detailed below (the "Group Reorganisation"), Mr. PS Lee and Ms. LC Lau held 70% and 30% of the equity interests of Hang Yick Gate Engineering Limited ("Hang Yick"). Mr. PS Lee and Ms. LC Lau are acting in concert on their ownerships and exercise their control collectively over the companies now comprising the Group.

In preparation of the Listing, the companies now comprising the Group underwent the Group Reorganisation as described below.

(1) Incorporation of the Company

The Company is an exempted company incorporated in the Cayman Islands with limited liability and 1 nil-paid initial share was issued to the initial subscriber and transferred to Mr. PS Lee on 6 March 2018. The Company has an authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On the same date, 1 nil-paid share of the Company was allocated and issued at par to Ms. LC Lau.

(2) Incorporation of HY Metal Company Limited ("HY Metal")

HY Metal is a company limited by shares incorporated in the BVI on 15 March 2018. HY Metal is authorised to issue a maximum of 50,000 shares each with a par value of US$1.00, of which 1 share (representing the entire issued capital of the HY Metal) was allotted and issued as fully paid to the Company at par. HY Metal became a directly wholly-owned subsidiary of the Company since then.

(3) Acquisition of the Company by HY Steel

On 28 March 2018, Mr. PS Lee and Ms. LC Lau transferred the entire issued share capital of the Company to HY Steel at nominal consideration. The Company became a wholly-owned subsidiary of HY Steel.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS – continued

(4) Acquisition of Hang Yick by HY Metal

On 28 March 2018, Mr. PS Lee and Ms. LC Lau transferred the entire issued share capital of Hang Yick to HY Metal. In consideration of the acquisition, the Company created, allotted and issued 98 new shares, credited as fully paid, to HY Steel. Hang Yick became an indirectly wholly-owned subsidiary of the Company since then.

Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 28 March 2018. The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the year ended 31 March 2018 or since their respective dates of incorporation, where there is a shorter period. Accordingly, the consolidated financial statements for the year ended 31 March 2018 have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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 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 HKICPA for the first time in the current year:

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

Note: The Group has early applied HKFRS 15 "Revenue from Contracts with Customers" since 1 April 2015.

Except as described below, the application of the new and amendments to HKFRSs and interpretation 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.

HKFRS 9 "Financial Instruments"

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

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

HKFRS 9 "Financial Instruments" – continued

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.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. The measurement categories for all other financial assets and financial liabilities of the Group as at 1 April 2018 remain the same upon the application of HKFRS 9.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and considered the application of ECL model has no material impact to the financial position and retained profits of the Group as at 1 April 2018.

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 the beginning of the first annual period beginning on or after 1 January 2020.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

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

HKFRS 16 "Leases"

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

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (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, other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, while upfront prepaid lease payments will be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or 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$3,322,000 as disclosed in notes 29 and 35. 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 unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$186,000 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 has elected 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 will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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.

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

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

Merger accounting for business combination involving 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 combined using the existing book values from the controlling party's prospective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining 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 there is a shorter period.

Revenue recognition

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 or 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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

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

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

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

The Group recognises revenue from the following major sources: 1) provision of steel and metal engineering services and 2) sales of steel and metal products.

Provision of steel and metal engineering services
Recognition

The Group provides engineering services on steel and metal works under long-term contracts with customers. Such contracts are entered into before the engineering services begin. Under the terms of the contracts, the Group is contractually restricted from redirecting the steel and metal works to another customer and has an enforceable right to payment for work completed to date. Revenue from provision of steel and metal engineering services is therefore recognised over time using output method, i.e. based on surveys of steel and metal work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers or estimated with reference to the progress payment application submitted by the Group to the customers in relation to the work completed by the Group. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

In determining the transaction price (i.e. consideration of an engineering service contract), the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

Sales of steel and metal products
Recognition

The Group sells steel and metal products to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery.

Other income

The Group also has the following sources of major other income.

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

Revenue from the sales of scrap materials is recognised when control of the scrap materials has transferred to the customer, being at the point the scrap materials are delivered to the customer.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes 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, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment loss on assets other than financial 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 assets are estimate 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

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 or 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

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

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets. Trade receivables and contract assets that are arising from the provision of steel and metal engineering services or credit impaired are assessed for ECL individually. The ECL on the remaining trade receivables are assessed collectively using a provision matrix with appropriate groupings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 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 that have a detrimental impact on the estimated future cash flows of the financial asset have been occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer of 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 probably 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 the contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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 corresponding adjustment is recognised through a loss allowance account.

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)

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

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, other receivables and deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets 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 financial assets (before application of HKFRS 9 on 1 April 2018)

Loans and receivables are assessed for indicators of impairment at the end of each 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;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for 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 receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

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

The 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.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and state-managed retirement benefit schemes in the People's Republic of China (the "PRC") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-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.

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases

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

The Group as lessor

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

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, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

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

Current tax

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

All borrowing costs other than those directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

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 each 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).

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

When share options are cancelled, the amount that would otherwise have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment assessment on trade receivables and contract assets

Since the initial application of HKFRS 9 on 1 April 2018, the management of the Group assesses ECL of trade receivables and contract assets that are arising from the provision of steel and metal engineering services or credit impaired individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information. The loss allowance amount of the credit impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables and contract assets involves high degree of estimation uncertainty.

At the end of each reporting period, 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.

As at 1 April 2018 (date of initial recognition of HKFRS 9) and 31 March 2019, the net trade receivables amounting to HK$17,850,000 and HK$11,241,000, and net contract assets amounting to HK$27,090,000 and HK$47,492,000, respectively.

The information about the Group's assessment of ECL and the Group's trade receivables and contract assets are disclosed in notes 19, 21 and 32.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

6. REVENUE

Revenue represents the fair value of amounts received and receivable from the provision of engineering service or sales of goods by the Group to external customers. The Group's revenue is mainly derived from provision of steel and metal engineering services and sales of steel and metal products in Hong Kong during the year.

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
– provision of steel and metal engineering services	**147,855**	140,620
Recognised at a point in time and short-term contracts		
– sales of steel and metal products		
• standardised collapsible gates	**14,172**	42,821
• other steel and metal products	**19,899**	15,758
	34,071	58,579
	181,926	199,199

The customers of the Group are mainly construction companies, contractors and engineering companies in Hong Kong. All of the Group's provision of steel and metal engineering services and sales of steel and metal products are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Transaction price allocated to the remaining performance obligations

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

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Provision of steel and metal engineering services	**870,233**	236,454

Based on the information available to the Group at the end of the reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of steel and metal engineering services as of 31 March 2019 will be recognised as revenue during the years ending 31 March 2020 to 2022 (2018: the years ended/ending 31 March 2019 to 2020).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

7. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision makers ("CODM") (being the executive directors of the Company) review the segment results of the Group. Specifically, the Group's reportable segments are provision of steel and metal engineering services and sales of steel and metal products. However, no analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group on making decision for resources allocation and performance assessment.

Segment revenue and profit

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

Year ended 31 March 2019

	Provision of steel and metal engineering services HK$'000	Sales of steel and metal products HK$'000	Total HK$'000
Segment revenue	**147,855**	**34,071**	**181,926**
Segment results	**46,529**	**10,356**	**56,885**
Other income and other gains and losses			**2,244**
Administrative expenses			**(23,190)**
Finance costs			**(72)**
Listing expenses			**(12,768)**
Profit before taxation			**23,099**

7. SEGMENT INFORMATION – continued

Segment revenue and profit – continued

Year ended 31 March 2018

	Provision of steel and metal engineering services HK$'000	Sales of steel and metal products HK$'000	Total HK$'000
Segment revenue	140,620	58,579	199,199
Segment results	57,089	17,270	74,359
Other income and other gains and losses			7,784
Administrative expenses			(13,091)
Finance costs			(121)
Listing expenses			(6,397)
Profit before taxation			62,534

The accounting policies of the operating segments are the same as the Group's accounting policies set out in note 4. Segment results mainly represented profit earned by each segment, excluding other income and other gains and losses, administrative expenses, finance costs, listing expenses and income tax expense.

Other segment information

	Year ended 31 March	
	2019 HK$'000	2018 HK$'000
Amounts included in the measures of segment profits:		
Depreciation and amortisation		
– Provision of steel and metal engineering services	**1,302**	1,032
– Sales of steel and metal products	**698**	842
– Unallocated	**824**	1,254
	2,824	3,128

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

7. SEGMENT INFORMATION – continued

Entity-wide information

Geographical information

The Group's revenue are derived from Hong Kong and the People's Republic of China (the "PRC") based on the location of goods delivered and services provided as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**181,878**	198,569
The PRC	**48**	630
	181,926	199,199

The Group's non-current assets are located in Hong Kong and the PRC by physical location of assets as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**2,921**	3,122
The PRC	**14,297**	14,399
	17,218	17,521

Information about major customers

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Revenue from provision of steel and metal engineering services		
Customer A	**N/A***	19,861
Customer B	**29,919**	N/A*
Customer C	**42,256**	51,555
Customer E	**25,156**	N/A*
Revenue from sales of steel and metal products		
Customer A	**N/A***	367
Customer B	**5,176**	N/A*
Customer D	**N/A***	21,445

* Revenue from the customer is less than 10% of the Group's total revenue in the respective year

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. PS Lee and Ms. LC Lau were appointed as directors of the Company on 6 March 2018 and redesignated as executive directors on 14 May 2018. Mr. Lee Ka Chun Benny ("Mr. Benny Lee") was appointed as director of the Company on 6 March 2018 and redesignated as a non-executive director of the Company on 14 May 2018. Mr. Au Yeung Wai Key ("Mr. Au Yeung"), Hon Cheung Kwok Kwan, JP ("Hon Cheung") and Mr. Tse Ka Ching ("Mr. Tse") were appointed as independent non-executive directors of the Company on 19 September 2018 and no emoluments were paid or payable to them during the year ended 31 March 2018. The emoluments paid or payable to the executive directors, non-executive director and chief executive of the Company (including the emoluments for services as directors of the group entities prior to becoming the director of the Company) by entities now comprising the Group during the year as follows:

	Executive directors		Non-executive director	Independent non-executive directors			
	Mr. PS Lee HK$'000	Ms. LC Lau HK$'000	Mr. Benny Lee HK$'000	Mr. Au Yeung HK$'000	Hon Cheung HK$'000	Mr. Tse HK$'000	Total HK$'000
Year ended 31 March 2019							
Fees	**–**	**–**	**–**	**90**	**90**	**90**	**270**
Other emoluments							
Salaries and other benefits	**690**	**690**	**390**	**–**	**–**	**–**	**1,770**
Retirement benefit scheme contributions	**14**	**14**	**5**	**–**	**–**	**–**	**33**
Total emoluments	**704**	**704**	**395**	**90**	**90**	**90**	**2,073**
Year ended 31 March 2018							
Fees	–	–	–	–	–	–	–
Other emoluments							
Salaries and other benefits	180	180	45	–	–	–	405
Retirement benefit scheme contributions	9	9	2	–	–	–	20
Total emoluments	189	189	47	–	–	–	425

Note: Mr. PS Lee also acts as chief executive of the Group.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(b) Employees' emoluments

The five highest paid individuals are all non-director employees for both years. Their emoluments were as follow:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**3,650**	2,348
Discretionary bonus (note)	**1,442**	653
Equity-settled share option expenses	**1,683**	–
Retirement benefit scheme contributions	**87**	73
	6,862	3,074

Note: The discretionary bonuses are determined with references to the performance of individual employee and of the Group.

Their emoluments are within the following bands:

	Year ended 31 March	
	2019	2018
	Number of employees	Number of employees
Nil to HK$1,000,000	**–**	5
HK$1,000,001 to HK$1,500,000	**4**	–
HK$2,000,001 to HK$2,500,000	**1**	–

During both years, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

9. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Other income		
Interest income from bank deposits	**698**	10
Rental income from investment properties	**–**	395
Sales of scrap materials	**356**	771
Others	**40**	161
	1,094	1,337
Other gains and losses		
Net exchange (loss) gains	**(189)**	77
Gain on disposal of property, plant and equipment	**–**	50
Gain on disposal of investment property classified as held for sale/investment properties	**1,339**	6,320
	1,150	6,447
	2,244	7,784

10. FINANCE COSTS

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Interests on bank borrowings	**36**	56
Interests on finance leases	**36**	65
	72	121

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

11. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,430**	466
Depreciation on property, plant and equipment	**2,636**	2,685
Depreciation on investment properties	**–**	253
Cost of inventories recognised as an expense	**20,010**	41,309
Amortisation of prepaid lease payments	**188**	190
Staff costs (including directors' emoluments):		
Directors' emoluments (note 8)	**2,073**	425
Other staff costs:		
Salaries and other benefits	**62,908**	48,048
Retirement benefits scheme contributions	**3,884**	2,863
Equity-settled share option expenses	**2,081**	–
	68,873	50,911
Equity-settled share option expenses in relation to a consultant	**2,374**	–
Gross rental income from investment properties	**–**	(395)
Less: direct operating expense incurred for investment properties that generate rental income during the year	**–**	305
	–	(90)
Minimum lease payments under operating leases in respect of warehouse, offices and showroom premises	**1,270**	210

12. INCOME TAX EXPENSE

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**6,118**	10,249
The PRC Enterprise Income Tax	**957**	297
Underprovision of Hong Kong Profits Tax in prior years	**20**	–
	7,095	10,546
Deferred taxation (note 27)	**(57)**	(236)
	7,038	10,310

12. INCOME TAX EXPENSE – continued

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

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits of a subsidiary and at 16.5% on the estimated assessable profits above HK$2 million on that subsidiary.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2018.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Profit before taxation	**23,099**	62,534
Tax at the Hong Kong Profits Tax rate of 16.5%	**3,811**	10,318
Tax effect of income not taxable for tax purpose	**(221)**	(792)
Tax effect of expenses not deductible for tax purpose	**3,315**	1,209
Tax effect of utilisation of tax losses previously not recognised	**–**	(485)
Underprovision of Hong Kong Profits Tax in prior years	**20**	–
Effect of different tax rate of a subsidiary operating in other jurisdiction	**298**	90
Income tax at concessionary rate	**(165)**	–
Others	**(20)**	(30)
Income tax expense for the year	**7,038**	10,310

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

13. DIVIDENDS

During the year ended 31 March 2018, Hang Yick declared and paid dividends of HK$24,000,000 in respect of the year ended 31 March 2018 to the then shareholders of Hang Yick.

On 29 August 2018, the Company declared and paid a special dividend of HK$240,000 per share amounting to HK$24,000,000 in aggregate to the then shareholder of the Company.

During the year ended 31 March 2019, the Company declared and paid an interim dividend of HK1.3 cents (2018: Nil) per share amounting to HK$9,880,000 (2018: Nil) in aggregate to the then shareholders of the Company.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2019 of HK0.5 cent per ordinary share (approximately HK$3,838,000 in aggregate) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	For the year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**16,061**	52,224
Number of shares (note):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**659,096,986**	570,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**3,248,025**	N/A
Over-allotment option	**170,052**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**662,515,063**	N/A

Note: The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation as set out in note 2 and the capitalisation issue as set out in note 28(e) have been effective on 1 April 2017.

No diluted earnings per share is presented for the year ended 31 March 2018 as there was no potential dilutive ordinary shares outstanding during that year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Office equipment, furniture and fixtures HK$'000	Total HK$'000
COST					
At 1 April 2017	8,020	7,732	5,445	134	21,331
Additions	–	587	2,915	92	3,594
Disposal	–	(203)	–	–	(203)
Exchange realignment	774	17	478	9	1,278
At 31 March 2018	8,794	8,133	8,838	235	26,000
Additions	**806**	**415**	**1,869**	**174**	**3,264**
Exchange realignment	**(563)**	**(19)**	**(406)**	**(9)**	**(997)**
At 31 March 2019	**9,037**	**8,529**	**10,301**	**400**	**28,267**
ACCUMULATED DEPRECIATION					
At 1 April 2017	3,175	5,073	1,554	109	9,911
Provided for the year	499	1,308	854	24	2,685
Eliminated on disposal	–	(203)	–	–	(203)
Exchange realignment	336	5	110	3	454
At 31 March 2018	4,010	6,183	2,518	136	12,847
Provided for the year	**514**	**994**	**1,092**	**36**	**2,636**
Exchange realignment	**(257)**	**(6)**	**(89)**	**(2)**	**(354)**
At 31 March 2019	**4,267**	**7,171**	**3,521**	**170**	**15,129**
CARRYING AMOUNTS					
At 31 March 2019	**4,770**	**1,358**	**6,780**	**230**	**13,138**
At 31 March 2018	4,784	1,950	6,320	99	13,153

15. PROPERTY, PLANT AND EQUIPMENT – continued

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

Buildings	Over the shorter of the term of lease or 20 years
Motor vehicles	20.0% to 30.0%
Plant and machinery	10.0% to 20.0%
Office equipment, furniture and fixtures	20.0% to 33.3%

As at 31 March 2018, the carrying amounts of the Group's motor vehicles included amounts of approximately HK$1,306,000 in respect of assets held under finance leases (as disclosed in note 24).

16. ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 March 2018, the assets classified as held for sale represented an property of the Group with carrying amount of HK$3,410,000. In March 2018, the Group has entered into a provisional sales and purchase contract with an independent third party for the disposal of such property at a cash consideration of approximately HK$4,800,000. Accordingly, such property was transferred from investment properties to assets classified as held for sale in March 2018 at its carrying amount of HK$3,410,000 with no gain or loss upon such transfer. Such disposal of property was completed on 21 May 2018 and resulted in a gain on disposal of approximately HK$1,339,000 (net of transaction costs of approximately HK$51,000) recognised in the profit or loss of the Group in the year ended 31 March 2019.

17. PREPAID LEASE PAYMENTS

All the Group's prepaid lease payments comprise leasehold land in the PRC.

	As at 31 March	
	2019 HK$'000	2018 HK$'000
Analysed for reporting purposes:		
Non-current assets	**3,901**	4,368
Current assets	**188**	201
	4,089	4,569

18. INVENTORIES

	As at 31 March	
	2019 HK$'000	2018 HK$'000
Raw materials	**15,318**	12,676
Work-in-progress	**5,828**	5,158
Finished goods	**2,494**	840
	23,640	18,674

19. TRADE RECEIVABLES

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Trade receivables	**13,740**	17,850
Less: Allowance for credit losses	**(2,499)**	–
Total trade receivables	**11,241**	17,850

As at 31 March 2019 and 31 March 2018, trade receivables from contracts with customers are disclosed above. As at 1 April 2017, trade receivables from contracts with customers amounted to HK$27,178,000.

For customers that the Group provides engineering services on steel and metal works, the Group normally grants credit terms of 30 days from the date of invoices on progress payments of contract works. For customers that the Group sells metal and steel products, except for certain major customers of which the Group grants a credit period of up to 60 days from the delivery of goods, the Group grants no credit terms to other customers and they are to settle payment in full upon delivery of goods. The following is an ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
0–30 days	**7,229**	15,407
31–60 days	**2,000**	543
61–90 days	**1,262**	325
Over 90 days	**750**	1,575
	11,241	17,850

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,061,000 which are past due as at the end of the reporting period. Out of the past due balances, HK$604,000 has been past due 90 days or more and is not considered as in default as these balances are either from debtors with long term business relationship or with expected subsequent settlement. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables as at 31 March 2019 are set out in note 32.

As at 31 March 2018, approximately 87.2% of trade receivables that were neither past due nor impaired had good credit quality. These customers had no default of payment in the past. Included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK$2,289,000 which were past due as at 31 March 2018 for which the Group had not provided for impairment loss as there had not been a significant change in credit quality of the trade receivables and the amounts were still considered recoverable. The Group did not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

19. TRADE RECEIVABLES – continued

The following is an ageing analysis of trade receivables which were past due but not impaired at 31 March 2018:

	As at 31 March 2018 HK$'000
Overdue by:	
1–30 days	678
31–60 days	246
61–90 days	140
Over 90 days	1,225
	2,289

Prior to the application of HKFRS 9 on 1 April 2018, in determining the recoverability of a trade receivable, the Group considered 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 31 March 2018 were either subsequently settled or there were no history of default of payments by the respective customers and the directors of the Company believed that no impairment was required.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2019 HK$'000	2018 HK$'000
Other receivables	**2,311**	907
Deposits (note)	**24,792**	443
Prepayments	**686**	851
Deferred listing expenses	**–**	2,132
Total	**27,789**	4,333
Presented as non-current assets	**179**	–
Presented as current assets	**27,610**	4,333
Total	**27,789**	4,333

Note: As at 31 March 2019, included in the balance is an earnest money amounting to HK$22,800,000. On 21 December 2018, Hang Yick entered into a non-legally binding strategic cooperation framework agreement ("Framework Agreement") with Capital Development Investment Holdings Limited ("Capital Development"), an independent third party, for business expansion in the PRC. Pursuant to such agreement, Capital Development shall, among others, introduce and propose property investment and construction projects to Hang Yick, while Hang Yick shall pay to Capital Development a Hong Kong dollar sum equivalent to RMB20,000,000 (at a predetermined exchange rate agreed by both parties) as earnest money. Regardless of whether any further formal agreement is entered into, when the term of 12 months from the date of the Framework Agreement expires or the Framework Agreement is terminated (whichever is earlier), the earnest money shall be refunded to Hang Yick immediately within three business days from the expiry date or termination date of the Framework Agreement.

Details of impairment assessment of other receivables and deposits as at 31 March 2019 are set out in note 32.

21. CONTRACT ASSETS

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Contract assets		
– Unbilled revenue from engineering services contracts	**30,165**	8,938
– Retention receivables	**18,422**	18,152
Less: Allowance for credit losses	**(1,095)**	–
	47,492	27,090

The Group has rights to considerations from customers for the provision of steel and metal engineering services. Contract assets arise when the Group has right to consideration for completion of engineering services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the output method, the Group recognises a contract liability for the difference.

The Group's engineering service contracts include payment schedules which require stage payments over the contract period once certain specified milestones based on surveyors' assessment are reached.

The significant increase in contract assets in current year is resulted from the increase in the Group's right to consideration for completion of engineering services but not yet billed under the relevant contracts as at 31 March 2019.

Retention receivables represents the monies withheld by customers of contract works and are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

The retention receivables, net of allowance for credit losses, are to be settled, based on the expiring of the defect liability period, at the end of the reporting period as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
On demand or within one year	**6,824**	5,355
After one year	**10,618**	12,797
	17,442	18,152

Details of impairment assessment of contract assets as at 31 March 2019 are set out in note 32.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

22. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 March 2019, pledged bank deposits represent deposits pledged to a bank to secure the short-term bank borrowings (as disclosed in note 25), carried at fixed interest rate ranged from 1.41% to 1.51% (2018: Nil) per annum.

As at 31 March 2019, short-term bank deposits comprise bank deposits of fixed interest rates carried at 2.25% (2018: Nil) per annum with an original maturity over three months.

As at 31 March 2019 and 2018, bank balances and cash comprise of cash held and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% per annum.

Details of impairment assessment of pledged bank deposits, short-term bank deposits and bank balances as at 31 March 2019 are set out in note 32.

23. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2019 HK$'000	2018 HK$'000
Trade payables	**4,774**	2,170
Accrued staff costs	**4,943**	5,709
Accrued listing expenses	**–**	2,640
Accruals and others	**1,684**	463
	11,401	10,982

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 March	
	2019 HK$'000	2018 HK$'000
0 – 30 days	**4,427**	1,740
31 – 60 days	**340**	430
61 – 90 days	**7**	–
	4,774	2,170

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

24. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 March	
	2019 HK$'000	2018 HK$'000
Analysed for reporting purposes as:		
Current liabilities	–	661
Non-current liabilities	–	352
	–	1,013

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Obligations under finance leases payables:				
Within one year	–	687	–	661
More than one year but not more than two years	–	353	–	352
	–	1,040	–	1,013
Less: future finance charges	–	(27)	–	N/A
	–	1,013	–	1,013
Less: amount due for settlement within 12 months (shown under current liabilities)			–	(661)
Amount due for settlement after 12 months			–	352

The Group leased certain of its motor vehicles under finance leases. The lease term ranged from 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.0% to 2.3% per annum as at 31 March 2018. All leases were on a fixed repayment basis and no arrangement was entered into for contingent rental payments.

During the year ended 31 March 2018, the Group has early repaid certain of the obligations under finance leases with carrying amount of approximately HK$467,000. On 21 September 2018, the Group has early repaid all the outstanding obligations under finance leases with carrying amount of approximately HK$1,302,000.

The Group's obligations under finance leases were secured by the lessors' charge over the Group's leased assets (as disclosed in note 15) and guaranteed by a director of the Company. Such personal guarantee was released on 21 September 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

25. BANK BORROWINGS

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Carrying amounts (shown under current liabilities) that contain a repayment on demand clause but repayable based on scheduled repayment terms:		
– Within one year	**30,000**	600
– More than one year but not exceeding two years	**–**	757
	30,000	1,357

The bank borrowings were at floating rate which carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2% per annum (2018: Hong Kong dollar prime rate minus 1.50% or 1.75% per annum). The weighted average effective interest rate on the Group's bank borrowings was 3.82% per annum as at 31 March 2019 (2018: 3.35% per annum).

As at 31 March 2019, the bank borrowings are secured by pledged bank deposits with carrying amount of HK$40,000,000 and a corporate guarantee granted by Hang Yick.

As at 31 March 2018, the bank borrowings were guaranteed by personal guarantees from Mr. PS Lee and Ms. LC Lau with limited amount and secured by (i) the Group's property classified as held for sale with carrying amount of approximately HK$3,410,000 as at 31 March 2018 and (ii) certain properties of Mr. PS Lee and Ms. LC Lau as of 31 March 2018.

In May 2018, the Group early repaid all outstanding carrying amounts of its bank borrowings upon the completion of the disposal of the Group's property classified as held for sales as disclosed in note 16 and such personal guarantee and securities from Mr. PS Lee and Mr. LC Lau were also released in the same month.

26. PROVISIONS

	Long service payments HK$'000
At 1 April 2017	327
Reversal on provision	(73)
At 31 March 2018	254
Reversal on provision	**(57)**
At 31 March 2019	**197**

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. Provisions recognised in respect of long service payments are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to end of each reporting period. Any changes in the provisions' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss.

27. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liability have been offset. The following are the deferred tax liability and assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Provision for long service HK$'000	ECL provision HK$'000	Total HK$'000
At 1 April 2017	(412)	54	–	(358)
Credit (charged) to profit or loss (note 12)	248	(12)	–	236
At 31 March 2018	(164)	42	–	(122)
Credit (charged) to profit or loss (note 12)	**23**	**(10)**	**44**	**57**
At 31 March 2019	**(141)**	**32**	**44**	**(65)**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

28. SHARE CAPITAL

The share capital as at 1 April 2017 represented the share capital of Hang Yick.

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

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 6 March 2018 (date of incorporation) and 31 March 2018 (note a)	38,000,000	380
Increase on 19 September 2018 (note d)	**3,762,000,000**	**37,620**
At 31 March 2019	**3,800,000,000**	**38,000**
Issued:		
At 6 March 2018 (date of incorporation) (note b)	2	–*
Issue of shares (note c)	98	–*
At 31 March 2018	100	–*
Capitalisation issue (note e)	**569,999,900**	**5,700**
Issue of new shares upon share offer (note f)	**190,000,000**	**1,900**
Issue of new shares upon exercise of share options (note g)	**7,600,000**	**76**
At 31 March 2019	**767,600,000**	**7,676**

All new ordinary shares issued during the year ended 31 March 2019 rank pari passu with the existing shares in issue in all respects.

Notes:

(a) The Company was incorporated on 6 March 2018 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

(b) At the date of incorporation, one share of the Company was allotted and issued nil-paid to the initial subscriber of our Company, an independent third party, and was transferred to Mr. PS Lee on the same date. On the same date, 1 nil-paid share of the Company was allocated and issued at par to Ms. LC Lau.

(c) On 28 March 2018, as part of the Group Reorganisation as disclosed in note 2, HY Metal acquired from Mr. PS Lee and Ms. LC Lau all of their shares in Hang Yick. In consideration thereof, the Company allotted and issued as fully paid 98 shares to HY Steel.

(d) On 19 September 2018, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$38,000,000 by the creation of 3,762,000,000 additional shares, each ranking pari passu with the shares of the Company then in issue in all respects.

(e) On 12 October 2018, the Company capitalised an amount of HK$5,699,999 by issuing additional 569,999,900 shares, credited as fully paid, to the holder(s) of shares on the register of members of the Company at the close of business on 19 September 2018 (or as they may direct) in proportion to their shareholdings (save that no shareholder shall be entitled to be allotted and issued any fraction of a share).

(f) In connection with the listing of the Company's shares at the Stock Exchange on 12 October 2018, the Company issued and allotted 190,000,000 new ordinary shares in aggregate at HK$0.85 per share for an aggregate consideration of approximately HK$161.5 million.

(g) On 28 March 2019, the Company issued 7,600,000 shares upon the exercise of share options by an employee of the Company.

* Amount less than HK$1,000

29. OPERATING LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year ended 31 March 2018 was approximately HK$395,000. As at 31 March 2018, certain of the Group's properties held for rental purposes, with a carrying amount of approximately HK$3,470,000. All of the properties held had committed tenants for next one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Within one year	–	138
In the second to fifth year inclusive	–	81
	–	219

The Group as lessee

As at 31 March 2019, the Group has operating lease commitment as lessee for a lease amounting to approximately HK$467,000 (2018: Nil), such operating lease commitment is within one year from the end of the reporting period.

Details of the Group's operating lease commitment as lessee for leases entered into with related parties are disclosed in note 35.

30. RETIREMENT BENEFIT 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 is HK$1,500 per employee per month.

The retirement benefit schemes 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 PRC subsidiary is required to make contributions to the state-managed retirement schemes operated by the local governments based on certain percentage of the monthly salaries of their current employees to fund the benefits.

The only obligation of the Group with respect to the above defined contribution retirement benefit schemes are to make the required contributions under the respective schemes.

The contributions paid and payable to the schemes by the Group during the year to directors and staff employees are disclosed in notes 8 and 11, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

31. 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which mainly includes bank borrowings, as disclosed in note 25, and equity of the Group, comprising issued share capital and reserves.

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 the raise of borrowings or the repayment of the existing borrowings.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**N/A**	47,803
Amortised cost	**190,183**	N/A
Financial liabilities		
Amortised cost	**41,401**	12,339

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and accruals 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate pledged bank deposits and short-term bank deposits. Currently, the Group has not used any derivative contracts to hedge these exposure to interest rate risk. However, management monitors interest rate exposure and will consider hedging significant fixed rate borrowings should the need arises.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 22 and 25 for details of the bank balances and bank borrowings respectively). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR (2018: Hong Kong dollar prime rate) arising from the Group's variable-rate bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole period. No sensitivity analysis is provided on variable-rate bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

A 50 basis points (2018: 50 basis points) increase or decrease is used for the year, which represents management's assessment of the reasonably possible change in interest rates. If interest rates have been 50 basis points (2018: 50 basis points) higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2019 would decrease/increase by approximately HK$125,000 (2018: HK$6,000).

(ii) Credit risk and impairment assessment

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(ii) Credit risk and impairment assessment – continued

Trade receivables and contract assets arising from contracts with customers

Management adopted a policy on providing credit facilities to customers. A credit investigation, including assessment of financial information, advice from business partners in relation to potential customers and credit search, would be 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.

In order to minimise the credit risk on trade receivables and contract assets, the 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, the 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, other than those balances that are arising from the provision of steel and metal engineering services or credit impaired which are assessed individually, the remaining balances have been grouped based on shared credit risk characteristics with details disclosed in this note, respectively. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain customers. For trade receivables, the Group's largest debtor contributed approximately 16.5% (2018: 23.1%) of the Group's trade receivables and the Group's five largest debtors contributed approximately 57.2% (2018: 70.5%) of the Group's trade receivables. For contract assets, the Group's largest customer contributed approximately 40.2% (2018: 24.5%) of the Group's contract assets and the Group's five largest customers contributed approximately 78.8% (2018:79.8%)of the Group's contract assets as at 31 March 2019. All these top five debtors are customers located in Hong Kong.

Other receivables and deposits

For other receivables and deposits, the management of the Group makes individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 April 2018. The management of the Group believes that there is no material credit risk inherent in the Group's other receivables and deposits as at 1 April 2018 and 31 March 2019 and considers that the ECL on the balances is insignificant.

Pledged bank deposits, short-term bank deposits and bank balances

The credit risk on pledged bank deposits, short-term bank deposits and 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 pledged bank deposits and bank balances was recognised upon application of HKFRS 9 on 1 April 2018 and as at 31 March 2019. The Group has limited exposure to any single financial institution.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(ii) Credit risk and impairment assessment – continued

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 has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit impaired	12-m ECL-not credit impaired
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	Amount is written off	Amount is written off

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

As at 31 March 2019	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised cost					
Trade receivables	19	N/A	Note 1	Lifetime ECL (individually assessed)	**8,976**
	19	N/A	Note 1	Lifetime ECL (provisional matrix)	**2,357**
	19	N/A	Note 1	Credit impaired	**2,407**
					13,740
Other receivables and deposits	20	N/A	Note 2	12m ECL	**23,966**
Pledged bank deposits	22	Aa3	N/A	12m ECL	**40,000**
Short-term bank deposits	22	Aa3	N/A	12m ECL	**60,000**
Bank balances	22	Baa1-Aa3	N/A	12m ECL	**54,924**
Other item					
Contract assets	21	N/A	Note 1	Lifetime ECL (individually assessed)	**47,667**
	21	N/A	Note 1	Credit impaired	**920**
					48,588

Notes:

1. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime ECL. Except for debtors arising from provision of steel and metal engineering services or balances that are credit impaired which are assessed individually, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. All of these balances are not past due at 31 March 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(ii) Credit risk and impairment assessment – continued

Provision matrix – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to sales of steel and metal products. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL.

Internal credit rating	Average loss rate	Trade receivables HK$'000
Low risk	1.33%	**1,182**
Doubtful	2.98%	**1,175**
		2,357

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

	Lifetime ECL (not credit impaired)		Lifetime ECL (credit impaired)		
	Trade receivables HK$'000	Contract assets HK$'000	Trade receivables HK$'000	Contract assets HK$'000	Total HK$'000
At 1 April 2018 (note)	–	–	–	–	–
– Impairment losses recognised	92	175	2,407*	920*	3,594
At 31 March 2019	**92**	**175**	**2,407**	**920**	**3,594**

* The lifetime ECL recognised for credit impaired trade receivables and contract assets are resulting from a debtor went into liquidation process during the year. The gross amounts of credit impaired trade receivables and contract assets are approximately HK$2,407,000 and HK$920,000 respectively.

Note: As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing trade receivables and contract assets for impairment in accordance with the requirements of HKFRS 9 and considered the application of ECL model has no material impact to the financial position and retained profits of the Group as at 1 April 2018.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(iii) 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. Specially, bank borrowings with a repayment on demand clause are included in the earliest time bend regardless of the probability of the banks choosing to exercise their rights.

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

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 3 months HK$'000	4-12 months HK$'000	1 year to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2019							
Non-derivative financial liabilities							
Trade and other payables and accruals	**N/A**	**55**	**11,346**	**–**	**–**	**11,401**	**11,401**
Bank borrowings	**3.82**	**30,000**	**–**	**–**	**–**	**30,000**	**30,000**
		30,055	**11,346**	**–**	**–**	**41,401**	**41,401**
As at 31 March 2018							
Non-derivative financial liabilities							
Trade and other payables and accruals	N/A	853	10,129	–	–	10,982	10,982
Bank borrowings	3.35	1,357	–	–	–	1,357	1,357
Obligations under finance leases	2.25	–	216	471	353	1,040	1,013
		2,210	10,345	471	353	13,379	13,352

Bank borrowings with a repayment on demand clause are included in the "Repayment on demand" time band in the above maturity analysis. As at 31 March 2019, the aggregate carrying amount of these bank borrowings of approximately HK$30,000,000 (2018: HK$1,357,000). Taking into account the Group's financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(iii) Liquidity risk – continued

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

	Weighted Average effective interest rate %	Within 3 months HK$'000	4-12 months HK$'000	1 year to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Bank borrowings:							
As at 31 March 2019	**3.82**	**30,284**	**–**	**–**	**–**	**30,284**	**30,000**
As at 31 March 2018	3.35	159	477	780	–	1,416	1,357

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurement

Management of the Group estimate, the fair value of its financial assets and financial liabilities measured at amortised cost using the discount cash flow analysis.

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.

33. 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.

	Amount due to a related company HK$'000	Amounts due to Controlling Shareholders HK$'000	Obligations under finance leases HK$'000	Bank borrowings HK$'000	Dividend payable HK$'000	Accrued share issue costs HK$'000	Total HK$'000
At 1 April 2017	273	42,058	1,992	1,936	–	–	46,259
Financing cash flows	(273)	(44,646)	(1,344)	(635)	(24,000)	–	(70,898)
Finance costs	–	–	65	56	–	–	121
Purchase of property, plant and equipment	–	–	300	–	–	–	300
Dividends declared	–	–	–	–	24,000	–	24,000
Exchange realignment	–	2,588	–	–	–	–	2,588
At 31 March 2018	–	–	1,013	1,357	–	–	2,370
Financing cash flows	**–**	**–**	**(1,338)**	**28,633**	**(33,880)**	**(12,387)**	**(18,972)**
Finance costs	**–**	**–**	**36**	**36**	**–**	**–**	**72**
Increase in accrued interest	**–**	**–**	**–**	**(26)**	**–**	**–**	**(26)**
Purchase of property, plant and equipment	**–**	**–**	**289**	**–**	**–**	**–**	**289**
Dividends declared	**–**	**–**	**–**	**–**	**33,880**	**–**	**33,880**
Transaction costs attributable to issue of shares	**–**	**–**	**–**	**–**	**–**	**12,387**	**12,387**
At 31 March 2019	**–**	**–**	**–**	**30,000**	**–**	**–**	**30,000**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 March	
	2019 HK$'000	2018 HK$'000
Non-current assets		
Unlisted investments in a subsidiary	–*	–*
Amounts due from subsidiaries	74,000	–
	74,000	–
Current assets		
Other receivables, deposits and prepayments	518	2,132
Amounts due from subsidiaries	25,055	–
Short-term bank deposits	60,000	–
Bank balances	18,458	–
	104,031	2,132
Current liabilities		
Other payables and accruals	6	2,640
Amount due to a subsidiary	–	5,889
	6	8,529
Net current assets (liabilities)	104,025	(6,397)
Total assets less current liabilities	178,025	(6,397)
Capital and reserves		
Share capital	7,676	–*
Reserves	170,349	(6,397)
	178,025	(6,397)

* Amount less than HK$1,000

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

Movement in the Company's reserves

	Share premium HK$'000	Share option reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000
At 6 March 2018 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(6,397)	(6,397)
At 31 March 2018	–	–	(6,397)	(6,397)
Profit and total comprehensive income for the year	**–**	**–**	**53,106**	**53,106**
Capitalisation issue (note 28(e))	**(5,700)**	**–**	**–**	**(5,700)**
Issue of new shares upon share offer (note 28(f))	**159,600**	**–**	**–**	**159,600**
Transaction costs attributable to issue of new shares	**(12,387)**	**–**	**–**	**(12,387)**
Recognition of equity-settled share based payments (note 37)	**–**	**4,455**	**–**	**4,455**
Issue of new shares upon exercise of share options (note 28(g))	**13,188**	**(1,636)**	**–**	**11,552**
Dividends recognised as distribution (note 13)	**–**	**–**	**(33,880)**	**(33,880)**
At 31 March 2019	**154,701**	**2,819**	**12,829**	**170,349**

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	Year ended 31 March 2019 HK$'000	2018 HK$'000
Rental expenses to a related company (Note a)	**562**	142
Rental expenses to Controlling Shareholders (Note b)	**593**	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

35. RELATED PARTY TRANSACTIONS – continued

Prior to 7 May 2018, certain premises held by Mr. PS Lee and Ms. LC Lau (either individually or jointly) were used by the Group as office and showroom without consideration. On 7 May 2018, the Group entered into lease agreements with Mr. PS Lee and Ms. LC Lau in respect of such premises for a term of approximately 35 months commencing from 7 May 2018 to 31 March 2021 at an aggregate monthly rental of HK$53,000. During the year ended 31 March 2019, the Group has further entered into a lease agreement with Mr. PS Lee and Ms. LC Lau in respect of an office premise, details of the operating lease commitments are disclosed as below.

Notes:

(a) At the end of the reporting period, the Group had commitments for future minimum payments under non-cancellable operating lease for a warehouse premises with a company controlled by Mr. PS Lee, which fall due as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Within one year	**562**	566
In the second to fifth year inclusive	**421**	991
	983	1,557

(b) At the end of the reporting period, the Group had commitments for future minimum payments under non-cancellable operating leases for office and showroom premises with Mr. PS Lee and Ms. LC Lau (either individually or jointly), which fall due as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Within one year	**756**	–
In the second to fifth year inclusive	**1,116**	–
	1,872	–

The above lease is negotiated for a fixed term of 3 years with fixed rental during the lease term.

During the year ended 31 March 2018, the Group disposed of investment properties with aggregate carrying amount of HK$4,280,000 to a related party (being the son of Mr. PS Lee and Ms. LC Lau) for a cash consideration of HK$10,600,000.

Compensation of key management personnel

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Short-term benefits	**6,564**	2,471
Equity-settled share option expenses	**1,652**	–
Retirement benefit scheme contributions	**122**	78
	8,338	2,549

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2019, the Group entered into finance lease arrangements in respect of certain property, plant and equipment with a total capital value at inception of the respective leases of approximately HK$289,000 (2018: HK$300,000).

37. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 19 September 2018 for the primary purpose of providing incentives to eligible participants, and shall be valid and effective for a period of 10 years. Under the Scheme, the board of directors of the Company may grant options to eligible participants to subscribe for shares in the Company.

At 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 16,300,000 shares, representing 2.1% of the total ordinary shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the Listing date and 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The table below discloses movement of the Company's share options granted under the Scheme during the year ended 31 March 2019:

	Exercise period	At 1 April 2018	Granted during the year	Cancelled during the year (note)	Exercised during the year	At 31 March 2019
Number of share options outstanding:						
– Employees	11 January 2022 to 10 January 2024	–	4,400,000	(50,000)	–	**4,350,000**
	11 January 2023 to 10 January 2024	–	4,400,000	(50,000)	–	**4,350,000**
	11 January 2019 to 10 January 2020	–	7,600,000	–	(7,600,000)	**–**
– Consultant	11 January 2019 to 10 January 2021	–	7,600,000	–	–	**7,600,000**
		–	24,000,000	(100,000)	(7,600,000)	**16,300,000**
Number of share options exercisable		–				**7,600,000**

Note: During the year ended 31 March 2019, 100,000 share options of the Company previously granted to an employee were cancelled as such employee had not accepted the share options.

During the year ended 31 March 2019, the closing price of the Company's shares at the date on which the share options were exercised by an employee of the Group was HK$2.78 per share.

A total of 24,000,000 share options were granted on 11 January 2019 with exercise price of HK$1.53 per share, out of which 15,200,000 shares are vested immediately on grant date, 4,400,000 shares will be vested in three years from the grant date and the remaining 4,400,000 shares will be vested in four years from the grant date. The exercise price was determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The fair value of the options determined at the date of grant using the Binomial option pricing model was HK$9,348,000.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

37. SHARE-BASED PAYMENTS – continued

The following assumptions were used to calculate the fair values of share options at the date of grant on 11 January 2019:

	Group 1 Employees	Group 2 Employees	Group 3 Consultant
Share options granted at grant date	8,800,000	7,600,000	7,600,000
Spot price per share on grant date	HK$1.53	HK$1.53	HK$1.53
Exercise price	HK$1.53	HK$1.53	HK$1.53
Life to expiration (Note a)	5 years	1 year	2 years
Expected volatility (Note b)	49.359%	37.063%	37.010%
Dividend yield	1.307%	1.307%	1.307%
Risk-free interest rate (Note c)	1.769%	1.577%	1.652%

Notes:

(a) Life to expiration: Being the period commencing on the date of grant based on the contractual terms of the share options to the expiring date.

(b) Expected volatility: Estimated with reference to historical price volatilities of 4 comparable companies as extracted from Bloomberg for a period equal to the life to expiration as of the valuation date.

(c) Risk-free interest rate: Determined with reference to the yields of Hong Kong Sovereign Curve with a maturity life equal to the life to expiration as of the valuation date.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of reporting period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share options reserve.

The share-based payment expenses of approximately HK$4,455,000 for the year ended 31 March 2019 was recognised in profit or loss (included in direct costs and administrative expenses).

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2019 and 2018 as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and full paid share capital/registered capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2019	2018	
Directly held by the Company:						
HY Metal	BVI	Hong Kong	Ordinary share of US$1	**100%**	100%	Investment holding
Indirectly held by the Company:						
Hang Yick	Hong Kong	Hong Kong	Ordinary share of HK$10,000	**100%**	100%	Design, manufacture, supply and installation of steel and metal products for construction projects
惠州恒益五金製品有限公司# Huizhou Hengyi Wujin Zhipin Limited ("Huizhou Hengyi")	The PRC	The PRC	Registered capital of HK$10,000,000	**100%**	100%	Manufacture and sales of steel and metal products

Being a wholly foreign-owned entity established in the PRC

Note: In January 2019, the Group acquired 100% equity interest in Sunshine Metal Engineering Limited ("Sunshine"), a private limited liability company incorporated in Hong Kong, from an independent third party (the "Vendor"), at a cash consideration of HK$3,030,000 (the "Acquisition"). At the date of completion of the acquisition, the major asset of Sunshine was an amount due from the Vendor of HK$2,960,000 (the "Loan to Vendor") and certain financial assets with insignificant aggregate carrying amount of HK$40,000 (such as deposits and bank balances). Pursuant to the sales and purchase agreement entered into between the Group with the Vendor in relation to the Acquisition, the Group and the Vendor agreed to net settle the cash consideration of the HK$3,030,000 and the repayment of the Loan to Vendor of HK$2,960,000, accordingly the Group's actual net cash outflow in relation to the Acquisition was HK$34,000.

Sunshine was previous engaged in provision of services in relation to constructions works but has no business operation at the date of completion of the Acquisition. It is an approved contractor under the "Structural Steelwork" category of works on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works published by the Development Bureau of the Government of the Hong Kong Special Administrative Region. As Sunshine has no business operation at the completion of the Acquisition, the directors of the Company are of the opinion that the Acquisition does not constitute a business combination as defined in HKFRS 3 "Business Combination" issued by HKICPA, therefore, the Acquisition has been accounted for as acquisition of assets through acquisition of a subsidiary. The directors of the Company are of the opinion that the fair value of the license held by Sunshine is immaterial at the date of acquisition. The financial position of Sunshine as at 31 March 2019 and its results for the year ended 31 March 2019 are insignificant to the Group.

Except for Huizhou Hengyi which have a financial year end of 31 December, all subsidiaries are limited liability companies and have adopted 31 March as their financial year end date.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

39. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, events subsequent to the end of the reporting period of the Group are details as below:

On 17 April 2019, the Group, via its wholly-owned subsidiary, HY China Investment Company Limited ("HY China"), has entered into a shareholders' agreement (the "Shareholders Agreement") in relation to HY Capital Holdings Company Limited ("HY Capital"), being a non-wholly owned subsidiary of HY China, with the other two shareholders of HY Capital (the "Joint Venture Partners"), namely Capital Development Investment Company Limited and CDI Shankly Capital Holdings Company Limited, to regulate the rights and obligations in HY Capital for developing the construction business in the PRC. Through HY China, the Group holds 60% equity interests in HY Capital and its wholly-owned subsidiaries, which comprises CDI Hang Yick (China) Construction Co. Ltd. (a company incorporated in Hong Kong) and CDI Hang Yick Construction Holdings Co. Ltd. SZ* (首建恒益（深圳）建築控股有限公司) ("CDI Hang Yick SZ") (a company established in the PRC). Pursuant to the Shareholders Agreement, the Group and the Joint Venture Partners have committed to provide unsecured and interest-free shareholders' loans of HK$40 million in aggregate to HY Capital, in proportion to their respective equity interest in HY Capital, as initial funding to develop the construction business in the PRC. Up to the date of these consolidated financial statements being duly approved by the board of the directors for issuance, the Group and the Joint Venture Partners have not yet provided the funding to HY Capital. Details of this transaction were disclosed in the Company's announcement dated 17 April 2019.

On 29 May 2019, CDI Hang Yick SZ completed the acquisition of the entire equity interests of Fujian Hejin Construction Engineering Limited* (福建禾金建設工程有限公司) ("Fujian Hejin"), a private company established in the PRC, at a cash consideration of RMB2,800,000 (equivalent to approximately HK$3,276,000). At the date of completion of such acquisition, Fujian Hejin was inactive and had an insignificant assets and liabilities with insignificant net carrying amount of less than HK$1,000. The reason for the Group for such acquisition was to acquire the relevant licenses held by Fujian Hejin for conducting construction services business in the PRC. As Fujian Hejin has no business operation at the completion of the such acquisition, the directors of the Company are of the opinion that the acquisition of Fujian Hejin do not constitute a business combination as defined in HKFRS 3, therefore, such acquisition have been accounted for as acquisition of assets through acquisition of a subsidiary. Details of this acquisition were disclosed in the Company's announcement dated 31 May 2019.

* *English name for identification purpose only*

Financial Summary

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

RESULT

	Year ended 31 March			
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**181,926**	199,199	161,483	122,698
Profit before taxation	**23,099**	62,534	46,488	35,431
Income tax expenses	**(7,038)**	(10,310)	(8,395)	(6,025)
Profit for the year	**16,061**	52,224	38,093	29,406

ASSETS AND LIABILITIES

	As at 31 March			
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**286,343**	117,682	144,390	123,837
Total liabilities	**(42,578)**	(19,125)	(74,486)	(67,733)
Net assets	**243,765**	98,557	69,904	56,104

Note: Since 1 April 2018, the Group has applied HKFRS 9 "Financial Instruments" issued by the Hong Kong Institute of Certified Public Accountants, without restating comparative information (see note 3 to the consolidated financial statements of this annual report for details). Accordingly, certain comparative financial information for the years ended 31 March 2016, 2017 and 2018 may not be comparable to that for the year ended 31 March 2019. Accounting policies resulting from application of HKFRS 9 are disclosed in note 4 to the consolidated financial statements of this annual report.