Shun Wo Group Holdings Limited

汛和集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1591

2019
Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Yan Hung *(Chairman)*
Mr. Wong Tony Yee Pong *(Chief executive officer)*
Mr. Lai Kwok Fai *(Chief operating officer)*
Mr. Lam Joseph Chok

Independent Non-Executive Directors

Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

AUDIT COMMITTEE

Mr. Tam Wai Tak Victor *(Chairman)*
Mr. Law Ka Ho
Mr. Leung Wai Lim

REMUNERATION COMMITTEE

Mr. Law Ka Ho *(Chairman)*
Mr. Leung Wai Lim
Mr. Wong Tony Yee Pong

NOMINATION COMMITTEE

Mr. Wong Yan Hung *(Chairman)*
Mr. Law Ka Ho
Mr. Tam Wai Tak Victor

COMPANY SECRETARY

Mr. Chui Gary Wing Yue

AUTHORISED REPRESENTATIVES

Mr. Wong Tony Yee Pong
Mr. Chui Gary Wing Yue

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26th Floor, Lancashire Centre
361 Shaukeiwan Road, Hong Kong

LEGAL ADVISER

David Fong & Co.
Solicitors, Hong Kong
Unit A, 12/F.
China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
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148 Electric Road
North Point
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
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Hong Kong

PRINCIPAL BANK

Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.swgrph.com

STOCK CODE

1591

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Shun Wo Group Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I would like to present to our shareholders the annual report of the Group for the year ended 31 March 2019 (the "**Review Year**").

The Review Year was a tough year for the Group. The Group recorded an increase of approximately 75.6% in term of revenue to approximately HK$231.5 million, while made a net loss of approximately HK$25.1 million.

The reasons for such change were mainly due to the continuing weakness and the keen competition in the foundation industry and the result of unexpected geological condition in various construction sites, in which the Group incurred additional costs in dealing with such unforeseen conditions.

Other than the above, the tight labour market in the construction industry and the increase in the costs of staff and materials undoubtedly increase the risks of the operation. Nevertheless, the Group's financial position remained strong and had no outstanding debts.

Looking ahead, the Group believes that the continuing weakness and the keen competition in the foundation industry still persist and the industry cannot be fully recovered in a short period of time. Despite the current market condition, I am optimistic about the prospects of the Group due to its well established presence, dedicated management, proven ability and a healthy financial position. The Group will continue focus on its core business and closely monitor the latest development in the foundation industry and adjust its tender pricing policy, in order to prepare for future opportunities, while maximising our shareholders' value.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the management team and staff for their hard work and contributions, and to the shareholders, investors and business partners for their trust and support.

The Board does not recommend the declaration of final dividend for the Review Year.

Wong Yan Hung
Chairman

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group has more than 20 years history in Hong Kong foundation industry, specialising in excavation and lateral support works, socketed H-piling and mini-piling works and pile caps construction works. Hop Kee Construction Company Limited, the principal operating subsidiary, is registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of "Foundation Works" category since December 2009.

As at 31 March 2019, the Group had a total of 8 ongoing projects (including projects that have commenced but not completed as well as projects that have been awarded but not yet commenced) and the original contract sum of these projects are approximately HK$203.9 million.

Due to the challenging business operating environment of the foundation industry, the Group reported a net loss during the Review Year. Besides that, the increasing number of competitors seeking for tender projects and the reduced number of foundation contracts from the market resulted in the keen competition were further exacerbated.

It is generally believed that the overall business environment of the foundation industry will continue to slow down in coming years. Thus, the Group has continued to adopt a more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin.

Looking forward, the Group will continue to strengthen its market position, enhance the Group's competitive strengths and remain positive for the Government to boost housing supply significantly in the next decade, as well as the "Lantau Tomorrow Vision" which would involve building a 1,700-hectare cluster of artificial islands.

FINANCIAL REVIEW

Revenue

For the Review Year, the revenue of the Group has increased by approximately HK$99.7 million, or approximately 75.6% compared to the corresponding year ended 31 March 2018, from approximately HK$131.8 million to approximately HK$231.5 million. The increase was mainly because of the completion of the few sizable projects awarded in 2017 during the Review Year.

Gross (Loss)/Profit

For the Review Year, the Group reported gross loss of approximately HK$4.3 million compared to gross profit of approximately HK$25.5 million to the corresponding year ended 31 March 2018. The decline in margin were due to (i) the Group has adopted a more competitive tender pricing policy in order to secure new contracts; (ii) additional construction costs incurred in dealing with some unexpected difficult geological conditions in certain construction sites; and (iii) substantial increase in labour cost, subcontracting fee and overhead costs, due to the timeline and complexity involved in one of the construction sites.

Other income, other gains and losses

For the Review Year, other income, other gains and losses has decreased by approximately HK$1.6 million or approximately 69.6% compared to the corresponding year ended 31 March 2018, from approximately HK$2.3 million to approximately HK$0.7 million. The decrease was primarily due to the decrease in bank interest income and dividend income from financial assets, as well as the decrease in gain on disposal of property, plant and equipment.

Administrative and other operating expenses

For the Review Year, the administrative and other operating expenses have increased by approximately HK$1.5 million or approximately 7.1% compared to the corresponding year ended 31 March 2018, from approximately HK$21.0 million to approximately HK$22.5 million.

Management Discussion and Analysis

Net (Loss)/Profit

As a result of the aforesaid, during the Review Year, the Group reported a net loss of approximately HK$25.1 million compared to the profit of approximately HK$5.6 million to the corresponding year ended 31 March 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to various risks and uncertainties. The following are the key risks and uncertainties faced by the Group:

Industry Risks

The future development of the foundation industry and the availability of foundation projects in Hong Kong depends largely on the continued development of the property market in Hong Kong. The nature, extent and timing of available foundation projects will be determined by an interplay of a variety of factors, including the Government's policies on the property market, land supply and public housing policy, the investment of property developers and the general conditions and prospect of Hong Kong's economy. Any slowdown of the property market may affect the availability of foundation projects in Hong Kong and have a material and adverse impact on our Group's business.

Compliance Risks

Due to the nature of foundation industry, many aspects of the Group's business operation are governed by various laws and regulations and Government policies. The requirements in respect of the granting and/or renewal of various licences and qualifications may change from time to time, and there is no assurance that the Group will be able to respond to such changes in a timely manner. Such changes may also increase the costs and burden in complying with them, which may materially and adversely affect the Group's business, financial condition and results of operation.

Uncertainties in Construction Progress

(1) unexpected geological or sub-soil conditions

Prior to commencement of the foundation works, the customers would normally provide ground investigation reports to the Group. However, information contained in these reports may not be sufficient to reveal the actual geology beneath the construction site due to limitation in the scope of the underground investigation works that can be carried out at the site and/or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or to identify any antiquities, monuments or structures beneath the site.

All these may eventually present potential issues and uncertainties in the carrying out of our foundations works, such as the possible increase in the complexity of the project resulting from additional work procedures, workers, equipment and times required to deal with any unexpected existence of rocks, antiquities or monuments, which may also lead to additional costs to be incurred. Nevertheless, in case of any significant unexpected difficult geological or sub-soil conditions, the Group may incur additional costs in dealing with such unforeseen conditions, which may lead to cost overruns and may thus materially and adversely affect the Group's business operation and financial position.

(2) damage of various underground service utilities

Services utilities may be laid underground or below carriageways and footways in Hong Kong. The Group may be obstructed by those service utilities when carrying out foundation works. There is no assurance that damage to those utilities will not occur during the foundation works. Accordingly, the Group may be liable to the costs for the repair of such damaged service utilities to the extent not covered by insurance.

Management Discussion and Analysis

Failure to Guarantee New Business

Revenue is typically derived from projects which are non-recurrent in nature. As the Group does not enter into long-term agreements with the customers, there is no guarantee that the Group will be able to secure new businesses from customers. The number and scale of projects from which the Group derives revenue from may vary significantly from period to period, and it may be difficult to forecast the volume of future business. In the event that the Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business and financial positions and prospect of the Group could be materially and adversely affected.

ENVIRONMENTAL POLICIES

In undertaking foundation works, the Group may cause (i) emission of air pollutants; (ii) emission of noise from construction activities; and (iii) disposal of construction waste. Therefore, the foundation works are subject to the requirements of the following laws and regulations in relation to the environmental protection.

The laws and regulations which have a significant impact on the Group includes, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) and Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong).

The Group places an emphasis on environmental protection when undertaking its projects. The Group has implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015. Besides that, the Group has also established environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by employees and workers of the sub-contractors.

In order to promote environmental awareness with the business partners, the Group reviews their sub-contractors regularly with environmental contribution being one of the criteria, higher priority is given to sub-contractors possessing ISO 14001 certification.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Review Year, as far as the Board and the management are aware, other than a breach of Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), which involved a penalty of HK$10,000, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

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

Employees

The Group considers its employees the key to sustainable business growth and also recognises its employees as its valuable assets. The Group provides comprehensive remuneration package to attract, motivate and retain appropriate and suitable employees to serve the Group. The Group has in place a fair and effective performance appraisal system and incentive bonus scheme designed to motivate and reward employees at all levels to deliver their best performance and achieve targets. The Group also provides on-the-job training and development opportunities to enhance its employees' career development and learning.

Customers

The Group are aware of the risk of customer concentration, and sought to reduce the reliance on major customer by undertaking more sizable projects for other customers.

Besides that, the Group believes a strong and good relationship with customers would increase its recognition and visibility in the foundation industry. As such, the Group values the views and opinions of all customers through various means and channels, including regular review and analysis on customer feedback.

The Group also believes that a strong and good relationship with customers can further develop new business opportunities in the foundation industry.

Suppliers and Sub-contractors

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

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

During the Review Year, there has been no change in capital structure of the Group.

As at 31 March 2019, the Group had total bank balances of approximately HK$68.9 million (31 March 2018: approximately HK$95.9 million).

As at 31 March 2019, the Group had no outstanding debts due to the fully repayment of finance lease payable during the Review Year.

GEARING RATIO

As at 31 March 2019, the gearing ratio (calculated as total bank borrowings (including finance lease payable) divided by the total equity) was nil (31 March 2018: approximately 1.7%).

TREASURY POLICY

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

PLEDGE OF ASSETS

As at 31 March 2019, the Group had no pledged bank deposits and pledged assets under finance leases (31 March 2018: approximately HK$2.8 million and approximately HK$6.4 million of bank deposits and net book value of our plant, machinery and equipment were pledged under finance leases respectively).

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Review Year.

CAPITAL EXPENDITURE

During the Review Year, the Group invested approximately HK$610,000 in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SIGNIFICANT INVESTMENT

During the Review Year, the Group had no significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Use of Proceeds", the Group did not have any other plans for material investments or capital assets during the Review Year.

USE OF PROCEEDS

The net proceeds received by the Group from the placing and public offer of the shares of the Company (the "**Shares**") for listing (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), after deducting related expenses were approximately HK$84.2 million. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 12 September 2016 (the "**Prospectus**"). Such uses include: (i) acquisition of excavators, cranes and breakers; (ii) strengthening the workforce and manpower; (iii) increasing marketing efforts; and (iv) funding of general working capital. Details of the use of the proceeds are listed as below:

	Planned use of proceeds up to 31 March 2019 HK$'000	Actual usage up to 31 March 2019 HK$'000
Acquisition of excavators, cranes and breakers	**55,000**	12,243
Strengthening the workforce and manpower	**15,000**	8,076
Increasing marketing efforts	**4,000**	1,686
Funding of general working capital	**8,000**	8,000
Total	**82,000**	30,005

Management Discussion and Analysis

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group employed a total of 70 full-time employees (including executive Directors), as compared to a total of 64 full-time employees as at 31 March 2018. Remuneration is determined with reference to the market terms and the performance, qualifications and experience of the individual employee. In addition to basic salary, performance-linked bonus is offered to those staff with special contributions to the Group, in order to attract and retain capable employees. The total remuneration cost incurred by the Group for the Review Year was approximately HK$43.4 million compared to approximately HK$32.6 million in the corresponding year ended 31 March 2018.

The remuneration of the Directors are decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

CHANGE OF INFORMATION OF DIRECTOR

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information of Director are set out below:

Mr. Leung Wai Lim was appointed as an independent non-executive director of China New Economy Fund Limited (Stock Code: 0080) since October 2018 and Yield Go Holdings Limited (Stock Code: 1796) since December 2018.

Biographical Details of the Directors and Senior Management

Biographical details of the Directors and senior management are set out as follows:

DIRECTORS

Executive Directors

Mr. WONG Yan Hung (黃仁雄) ("**Mr. YH Wong**"), aged 60, is one of the controlling shareholders, the chairman of the Board and an executive Director of the Group. He joined the Group in June 1995 and is the founder of the Group. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. YH Wong is responsible for the overall business development as well as financial and strategic planning of the Group. He has more than 20 years of experience in the foundation industry. He is the father of Mr. Tony Wong. For Mr. YH Wong's interest in the Shares within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), please refer to the section headed "Directors' Report" in this report.

Mr. WONG Tony Yee Pong (黃義邦) (former name: WONG Yee Pong (黃義邦)) ("**Mr. Tony Wong**"), aged 36, is one of the controlling shareholders, the chief executive officer and an executive Director of the Group. He joined the Group in March 2008. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Tony Wong is mainly responsible for the overall management of the business operation as well as project management and supervision. He has more than eight years of experience in the foundation industry and obtained his degree of Bachelor of Science from Simon Fraser University in Canada in February 2008. He is the son of Mr. YH Wong. For Mr. Tony Wong's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Directors' Report" in this report.

Mr. LAI Kwok Fai (黎國輝) ("**Mr. Lai**"), aged 60, is one of the controlling shareholders, the chief operating officer and an executive Director of the Group. He joined the Group in May 1996. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Lai is mainly responsible for the overall business operation and strategic planning of the Group. He has more than 20 years of experience in the foundation industry. For Mr. Lai's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Directors' Report" in this report.

Mr. LAM Joseph Chok (林作) ("**Mr. Lam**"), aged 29, is an executive Director of the Group. He joined the Group in May 2017.

Mr. Lam is responsible for providing strategic advice on our corporate governance and compliance matters. He obtained a Master of Laws and the Postgraduate Certificate in Laws from The University of Hong Kong respectively in 2013 and 2014, and a Bachelor of Arts in Mathematics from The University of Oxford in 2011.

Biographical Details of the Directors and Senior Management

Independent non-executive Directors

Mr. LAW Ka Ho (羅嘉豪) ("**Mr. Law**"), aged 36, was appointed as the independent non-executive Director of the Group in September 2016. He obtained a degree of Bachelor of Business Administration from the Chinese University of Hong Kong in December 2004. He was admitted as a member of the Association of Chartered Certified Accountants in November 2008 and a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

From July 2004 to August 2005, Mr. Law was employed as an audit trainee by Chan Chee Cheng & Co. Certified Public Accountants. From August 2005 to February 2006, he served as an accountant in HLB Hodgson Impey Cheng. He subsequently joined Shu Lun Pan Hong Kong CPA Limited from February 2006 to April 2009 at which his last position was audit senior. In May 2009, he joined BDO Limited as a senior associate and was subsequently promoted to a manager in October 2010 until he left the firm in May 2014. Since December 2014, he has joined the group of Hao Tian International Construction Investment Group Limited (formerly known as Clear Lift Holdings Limited) (stock code: 1341), the shares of which are listed on the Main Board of the Stock Exchange, with his current position as financial controller.

Mr. LEUNG Wai Lim (梁唯廉) ("**Mr. Leung**"), aged 46, was appointed as the independent non-executive Director of the Group in September 2016. He is an adjudicator appointed to the Panel of Adjudicators (Control of Obscene and Indecent Articles) (established under the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)) and a member of the Board of Review (Inland Revenue Ordinance) in Hong Kong. He is also a panel member appointed by the Secretary for Transport and Housing to the Transport Tribunals' Panel and a member of the Transportation and Logistics Committee (co-option) of the Law Society of Hong Kong SAR.

Mr. Leung has over 20 years of law related working experience. He was employed by DLA Piper from February 2001 to April 2009 at which his last position was partner. He was then employed by Eversheds from May 2009 to April 2015 at which his last position was partner. He is a partner of Howse Williams (previous known as Howse Williams Bowers) since May 2015. Mr. Leung obtained a bachelor's degree in law from University of Wales in United Kingdom in July 1995. He was admitted to practise law as a solicitor in Hong Kong in August 1999 and in England and Wales in April 2001. He is also currently an independent non-executive director of China New Economy Fund Limited (Stock Code: 0080) since October 2018 and Yield Go Holdings Limited (Stock Code: 1796) since December 2018.

Mr. TAM Wai Tak Victor (譚偉德) ("**Mr. Tam**"), aged 41, was appointed as the independent non-executive Director of the Group in September 2016. He graduated with a degree of Bachelor of Arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in February 2010 and a member of the Hong Kong Institute of Certified Public Accountants in July 2005.

Mr. Tam has more than 15 years of experience in the field of auditing, accounting and financial management. From January 2002 to February 2005, he was employed as an audit assistant at an audit firm in Hong Kong and was subsequently promoted to senior auditor. From April 2005 to January 2010, he worked at Grant Thornton at which his last position was manager. From January 2010 to November 2010, he served as a financial controller for a private company. From January 2011 to January 2013, he worked at BDO Limited at which his last position was senior manager. Since January 2013, he has joined the group of Differ Group Holding Company Limited (stock code: 6878), the shares of which are listed on the Main Board of the Stock Exchange, with his current position as financial controller. He is also currently an independent non-executive director of Twintek Investment Holdings Limited (Stock Code: 6182) since December 2017 and GT Steel Construction Group Limited (Stock Code: 8402) since June 2017 and he was an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) from August 2017 to May 2019.

Biographical Details of the Directors and Senior Management

Senior Management

Mr. SHUM Kwo Foo (岑果夫) ("**Mr. Shum**"), aged 70, is the technical director and joined the Group in August 2008. He is mainly responsible for supervising and providing technical support to the performance of foundation works. He is also a director of Hop Kee Construction Company Limited.

Mr. Shum has over 40 years of experience in the construction industry and obtained a degree of Bachelor of Science in engineering from The University of Hong Kong in October 1971. He was admitted as a member of the Institution of Structural Engineer in June 1977, a member of the Hong Kong Institution of Engineers in March 1979 and a member of the Institution of Civil Engineer in June 1981. He is included in the Authorised Person's Register (List of Engineers), Structural Engineers' Register and Geotechnical Engineers' Register kept under section 3 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). He is also a registered professional engineer registered with the Engineers Registration Board under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong).

Mr. CHAU Kai Keung (周佳強) ("**Mr. Chau**"), aged 77, is the contract manager and joined the Group in October 1995, left in December 2011 and re-joined the Group in April 2015. He is mainly responsible for project management and supervision.

Mr. Chau has over 50 years of experience in the construction industry and obtained a degree of Bachelor of Engineering in civil engineering from the Taiwan Provincial Cheng Kung University (now known as the National Cheng Kung University) in Taiwan in July 1963.

Mr. CHUI Gary Wing Yue (徐永裕) ("**Mr. Chui**"), aged 43, is the financial controller and the company secretary and joined the Group in August 2015. He is mainly responsible for overseeing the financial reporting, financial planning, treasury and financial control and company secretarial matters.

Mr. Chui has over 20 years of experience in auditing, accounting, financial management, taxation and treasury. He obtained a degree of Bachelor of Commerce in accounting and finance from the University of New South Wales in Australia in October 1998 and a degree of Master of Economics in finance from the Jinan University (暨南大學) in the PRC in December 2012. He is a member of certified practising accountant of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability because the Group believes that is the best way to maximise our shareholder's value.

The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). To the best knowledge of the Board, the Company has complied with the CG code during the Review Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard during the Review Year.

THE BOARD

Composition

As at the date of this report, the Board is chaired by Mr. Wong Yan Hung and comprised of seven members including four executive Directors and three independent non-executive Directors.

Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this report. Save for Mr. Wong Yan Hung being the father of Mr. Wong Tony Yee Pong, there are no financial, business, family or other material/relevant relationships among members of the Board.

Executive Directors
Mr. Wong Yan Hung *(Chairman)*
Mr. Wong Tony Yee Pong *(Chief executive officer)*
Mr. Lai Kwok Fai *(Chief operating officer)*
Mr. Lam Joseph Chok

Independent non-executive Directors
Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

The Board has adopted three policies including board diversity policy (the "**Board Diversity Policy**"), nomination policy (the "**Nomination Policy**") and dividend policy (the "**Dividend Policy**").

(i) The Board Diversity Policy which sets out the approach to achieve diversity on the Board is summarised as follows:

- the Company recognises and embraces the benefits of having a diverse Board to enhance the quality and effectiveness of the Board;

- in designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;

- the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board; and

- the nomination committee of the Board will report on the Board's composition under diversified perspectives, monitor the implementation of the Board Diversity Policy, review the Nomination Policy and the Board Diversity Policy to ensure effectiveness and recommend for any revisions to the Board for consideration and approval.

(ii) The Nomination Policy which sets out the criteria and procedures for the selection, appointment/re-appointment of Directors is summarised as follows:

- the selection of candidates or re-appointment of any existing member(s) of the Board will be based on the following criteria:

  (a) reputation for integrity;

  (b) accomplishment, experience and reputation in the industry;

  (c) commitment to devote sufficient time and relevant interest;

  (d) diversity perspectives as mentioned in the Board Diversity Policy;

  (e) ability to assist and support the management of the Group;

  (f) independence for the independent non-executive Directors as defined in the Listing Rules; and

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

- The nomination and selection procedures are:

  (a) the Board shall review, from time to time the structure, size, and diversity of the Board;

  (b) proposed candidate(s) will be asked to submit the necessary personal information in order for the Board to assess the suitability of the candidate(s) based on the above listed criteria;

  (c) when any existing member(s) of the Board is subject to re-selection according the articles of association of the Company, the Board shall apply the above listed criteria to the proposed candidate(s) on his/her/their re-appointment; and

  (d) the Board shall ensure the procedures of the nomination, selection and appointment/re-appointment to comply with the articles of association of the Company, the law of the Cayman Islands and the Listing Rules.

(iii) The Dividend Policy which sets out the criteria and principals which the Board considers if the dividends should be paid to Shareholders in according to the Dividend Policy is summarised as follows:

- The Board shall consider the following factors regarding the recommending/determining the frequency, amount and form of any dividend in any financial year/period:

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

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

  (c) the Group's cash flow and liquidity position, capital requirements and future expenditure plans;

  (d) the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

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

  (f) any other factor that the Board deems appropriate and relevant.

The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period and are subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the position of the chairman and chief executive officer of the Company are held by different individuals. Mr. Wong Yan Hung is the chairman and Mr. Wong Tony Yee Pong is the chief executive officer. The primary role of the chairman is to provide leadership for the Board and to ensure it works effectively in discharging its responsibilities. The chief executive officer is responsible for the day-to-day management of the Group's business.

Independent Non-executive Directors

During the Review Year and up to date of this report, the Company has three independent non-executive Directors representing more than one-third of the Board, which is in compliance with rules 3.10(1) and 3.10A of the Listing Rules. Two of the independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Tam Wai Tak Victor, both possessing professional accounting qualifications, or accounting or related financial management expertise, which is in compliance with rules 3.10(2) of the Listing Rules.

Appointment, Re-election and Removal of Directors

Each of the executive and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company for a specific term and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the amended and restated memorandum and articles of association (the "**Restated Articles**").

In accordance with article 108 of the Restated Articles, at each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Restated Articles, Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Tam Wai Tak Victor will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, and offer themselves for re-election.

Role and Responsibilities

The Board is responsible for the overall management of the Group and all day-to-day operations and management of the Company's business has been delegated to management under the leadership of the chief executive officer of the Company.

The principal roles of the Board are:

- set long term objectives and strategies;
- approve major policies and guidelines;
- prepare and approve financial statements, annual report and interim report;
- approve major capital expenditures, acquisition and disposals;
- approve connected transactions;
- approve material borrowings and expenditures;
- review and monitor of internal control and risk management; and
- declare and recommend the payments of dividends.

The Board is also responsible for the corporate governance functions of the Company, which includes:

- review the Company's policies and practices on corporate governance;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- review the Company's compliance with the CG code and disclosure in the corporate governance report.

Directors' Insurance

The Company has arranged appropriate insurance coverage for all Directors in relation to the discharge of their responsibilities.

Directors' Training and Professional Development

The Company, from time to time, provides in-house trainings for the Directors in the form of seminars, workshops and/or reading relevant material on the latest development of applicable laws, rules and regulations, management, financial and business issues to develop and refresh their knowledge and skills. The above training costs are borne by the Company.

The Directors are required to provide the Company with details of the training's records. Based on those training's record, the Directors received the following training during the Review Year:

	Type of training	
Directors:	**Reading and/or on-line studying**	**Seminars and/or workshops**
Mr. Wong Yan Hung	✓	✓
Mr. Wong Tony Yee Pong	✓	✓
Mr. Lai Kwok Fai	✓	✓
Mr. Lam Joseph Chok	✓	✓
Mr. Law Ka Ho	✓	✓
Mr. Leung Wai Lim	✓	✓
Mr. Tam Wai Tak Victor	✓	✓

Board Process

The Company has in place clear board process. Regular Board meetings are scheduled at least four times per year. Directors receive at least 14 days' prior written notice of regular Board meetings and agenda. The Board papers, including supporting analysis and relevant background information, are normally sent to all Directors at least 3 days before the Board meeting. For other Board meetings, Directors are given notice as soon as possible in the circumstances. Directors may include any matters they wish to discuss in the agenda.

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company, and are open for inspection by Directors upon request. All Directors have access to the advice and services of the company secretary, and are allowed to seek external professional advice if needed.

During the Review Year, the Board held four meetings. The attendance record of the Board meetings and the annual general meeting are set out below:

	Board meetings attended/ Eligible to attend	Annual general meeting attended/ Eligible to attend
Executive Directors:		
Mr. Wong Yan Hung	4/4	1/1
Mr. Wong Tony Yee Pong	4/4	1/1
Mr. Lai Kwok Fai	4/4	1/1
Mr. Lam Joseph Chok	4/4	1/1
Independent Non-executive Directors:		
Mr. Law Ka Ho	4/4	1/1
Mr. Leung Wai Lim	4/4	1/1
Mr. Tam Wai Tak Victor	4/4	1/1

BOARD COMMITTEES

To facilitate the work of the Board, the Board has established three Board committees to oversee specific aspects of the Company's affairs, namely audit committee (the "**Audit Committee**"), nomination committee (the "**Nomination Committee**") and remuneration committee (the "**Remuneration Committee**"). Each Board of committee has its own terms of reference relating to its authority and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of each committee are available on the websites of the Company and the Stock Exchange.

Each Board committee has been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company established an Audit Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditors and perform the corporate governance function.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Tam Wai Tak Victor is the Chairman of the Audit Committee.

During the Review Year, the Audit Committee held three meetings. The attendance record of the Audit Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Tam Wai Tak Victor *(Chairman)*	3/3
Mr. Law Ka Ho	3/3
Mr. Leung Wai Lim	3/3

The following is a summary of the work performed by the Audit Committee:

- reviewed the interim results of the Group;
- reviewed the annual results of the Group;
- reviewed the Group's financial information and financial report system;
- reviewed the Company's auditors' independence and objectivity;
- made recommendations to the Board on the re-appointment of the Company's external auditors;
- approved the remuneration and terms of engagement of the Company's external auditors;
- reviewed the Company's external auditors' management letter, significant findings and recommendations;
- reviewed the continuing connected transactions and commented on the fairness and reasonableness of the transactions;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed and discussed the reports from the Company's external professional firm with the management;
- reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risks management functions;
- amended the terms of reference of the Audit Committee and made recommendation to the Board for approval;
- reviewed the Company's compliance with the CG code and disclosure in the Corporate Governance Report; and
- met with the Company's external auditors, in the absence of the management.

There had been no disagreement between the Board and the Audit Committee during the Review Year and up to this date of this report.

Nomination Committee

The Company established a Nomination Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board, access the independence of the independent non-executive Directors and make recommendations to the Board regarding appointment of Board members and senior management of the Group.

The Nomination Committee consists of an executive Director, namely Mr. Wong Yan Hung and two independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Tam Wai Tak Victor. Mr. Wong Yan Hung is the Chairman of the Nomination Committee.

During the Review Year, the Nomination Committee held three meetings. The attendance record of the Nomination Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Wong Yan Hung *(Chairman)*	3/3
Mr. Law Ka Ho	3/3
Mr. Tam Wai Tak Victor	3/3

The following is a summary of the work performed by the Nomination Committee:

- reviewed the term of reference of the Nomination Committee and made recommendation to the Board for approval;
- reviewed the structure, size and composition and diversity of the Board;
- assessed and confirmed the independence of the independent non-executive Directors;
- proposed the nomination policy for Board's approval;
- reviewed the Board Diversity Policy and made recommendation to the Board for approval.

Remuneration Committee

The Company established a Remuneration Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management, and make recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board.

The Remuneration Committee consists of an executive Director, namely Mr. Wong Tony Yee Pong and two independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Law Ka Ho is the Chairman of the Remuneration Committee.

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

During the Review Year, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$0 to HK$1,000,000	3

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in note 9 to the consolidated financial statements.

During the Review Year, the Remuneration Committee held three meetings. The attendance record of the Remuneration Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Law Ka Ho *(Chairman)*	3/3
Mr. Leung Wai Lim	3/3
Mr. Wong Tony Yee Pong	3/3

The following is a summary of the work performed by the Remuneration Committee:

- amended the term of reference of Remuneration Committee;
- considered the remuneration paid to Directors and senior management with reference to their responsibilities, workload, the time devoted and the performance of the Group, as well as remuneration paid by other comparable listed companies;
- reviewed the remuneration policy and structures for Directors and senior management of the Group;
- reviewed and made recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board; and
- made recommendations to the Board on the remuneration of independent non-executive Directors.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Directors also acknowledge their responsibility to ensure the consolidated financial statements are published in a timely manner. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The Auditors' reporting responsibilities are set out in the section headed "Independent Auditors' Report" in this report.

AUDITORS' REMUNERATION

For the Review Year, the fee paid/payable to HLB Hodgson Impey Cheng Limited by the Group is set out as follows:

	HK$
Audit services	780,000
Non-audit services	150,000

The amount of fee incurred for the non-audit services is mainly the financial information review fee. The Audit Committee was satisfied that non-audit services for the Review Year did not affect the independence of the auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Company's risk management and internal control systems, and for reviewing its effectiveness.

In meeting its responsibility, the Group has adopted a "3 lines of defence" model to identify, analyse, evaluate, mitigate and handle risks. At the first line of defence, the departmental heads of the Group have to complete a risk management and internal control self-assessment questionnaires, identify and evaluate those significant risks and confirm to the management that appropriate internal control policies and procedures have been established and properly complied with. At the second line of defence, the management provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risks capacity and that the control of the first line of defence is effective. At the third line of defence, the Audit Committee and the Board with the advice and opinions from an external professional party conduct a review of the Company's risk management and internal control systems on an annual basis and ensure that the first and second lines of defence are performed effectively. The management then reviewed the findings and summarised all material issues to the Board and Audit Committee annually.

The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

The Group recognises that good risk management is essential for the long-term development of the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the soundness and effectiveness of the internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implementing the risk management framework into daily operation.

Although the Company does not have an internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. The Group has engaged an external professional party to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

INSIDE INFORMATION POLICY

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures such as limit access to inside information to those who need to know and requiring external parties to execute confidentiality agreement have been implemented by the Company to guard against mishandling of inside information. The Company also reminds those relevant personnel and other professional parties to preserve confidentiality of the inside information until it is publicly disclosed.

COMPANY SECRETARY

The Company has appointed Mr. Chui Gary Wing Yue as the company secretary of the Company (the "**Company Secretary**"), who is responsible for facilitating the Board process, as well as communications among the Directors, with shareholders and management. Mr. Chui has confirmed that for the Review Year, he has taken no less than 15 hours of professional training to upgrade his skills and knowledge. The biography of Mr. Chui is set out in the section headed "Biographical Details of the Directors and Senior Management" in this report.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

Pursuant to article 64 of the Restated Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more shareholder holding, at the date of deposit of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at 26th Floor, Lancashire Centre, 361 Shaukeiwan Road, Shau Kei Wan, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(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.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow Article 64 of the Restated Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for Convening General Meetings by Shareholders".

Pursuant to Article 113 of the Restated Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures by which Enquiries may be put to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are welcomed to send their enquiries to the Board by post to the principal place of business in Hong Kong set out in the section headed "Corporation Information" in this report or by email at info@swgrph.com.

INVESTOR RELATIONS

The Board strives to maintain on-going dialogue with shareholders and the investment community, the Company has established a shareholders communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

Latest information on the Group including, but not limited to annual and interim reports, circulars, announcements and notices of annual general meetings are updated on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.swgrph.com).

In addition, the Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting, where all Board members and external auditors are available to answer questions on the Group's business.

The annual general meeting will be held on Thursday, 5 September 2019, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Review Year, there had been no significant changes in the constitutional documents of the Company.

Environmental, Social and Governance Report

FOREWORD

The Group believes that with increasing advocacy for environmental protection and low-carbon business operations in almost every industry, it should set out tangible goals and practical blueprints for becoming a more sustainable business. In order to drive a successful business with the infusion of sustainability, the Group has incorporated environmental, social and governance concepts into its risk management system and will take appropriate measures from day-to-day operation and governance.

Scope and Review Year

The Group has a long history in Hong Kong foundation industry and has been committed to managing its business in a sustainable manner. The Board is pleased to submit this Environmental, Social and Governance ("**ESG**") report (the "**ESG Report**") covering the Review Year and where applicable, the year ended 31 March 2018 for comparison purposes.

Basis of Preparation

The ESG Report is prepared pursuant to the ESG Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Listing Rules. It reports on the major measures and activities implemented by the Group in respect of environmental and social aspects during the Review Year. The ESG Report is also prepared pursuant to the "comply or explain" provisions under the ESG Reporting Guide. The last section of the ESG Report provides a complete indexing to allow easy reference in accordance with the ESG Reporting Guide.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance which will help the Group continuously improve its sustainability performance.

EMISSIONS

The Group acknowledges the undeniable links between its development with environment impact. Recognising its responsibilities and commitment in environmental aspect, the Group aims to use natural resources more effectively and minimise the emission of pollutants from its business operation and reduce its negative impacts on the environment. Operational data are taken into account to formulate policies pinpointing all possible improvement.

As such, the Group has implemented different measures to reduce pollution, noise and construction waste in the course of the operation with:

- non-road mobile machinery approved by Environmental Protection Department ("EPD") label;
- hand-held percussive breakers and air compressors with noise emission label; and
- trip-ticket system to record disposal of construction waste to disposal facilities.

Electricity consumed in the corporate office and fuel and diesel consumed in the plant and machinery, trucks, lorries and vehicles in construction foundation operation are the major sources of greenhouse gas emission and energy footprints. During the Review Year, the Group has kept up with and refined some concepts of efficient use of resource into its operation and continued to encourage broader application and staff's personal participation.

- Select energy efficient equipment, including lights and appliances
- Minimise idling time of the vehicles during operation
- Conduct repairs and maintenance on vehicles plant and machinery, equipment, trucks and lorries in a timely manner
- Use environmentally friendly engine oil
- Use of electric vehicle
- Turn on the air-conditioning only when necessary and set the temperature between 24-26ºC and select a suitable air delivery speed
- Switch off electrical devices and equipment after office hours

The Group is determined to cultivate more environmental awareness in the workplace with these guidelines and spread the message of saving energy and reducing greenhouse gas emission.

During the Review Year, the Group did not generate material hazardous waste in the course of the operation. For non-hazardous waste, it was mainly paper used in the corporate office. Employees are always reminded to (i) use both sides of paper; (ii) adjust the margin and font size of documents as far as practicable in order to optimise use of paper; and (iii) use digital communication and document storage as far as practicable.

Aside from the Group's efforts in cutting down on emissions and energy consumption, it ensures legal and proper disposal of construction waste as dumping grounds, usually in the suburbs, have to be recovered or else the affected area can be damaged. All disposals accounted for in the Group's trip-ticket system and are billed by the EPD as per Construction Waste Disposal Charging Scheme.

Save as disclosed under the section headed "Compliance with the relevant Laws and Regulations", the Group has complied with relevant environmental laws and regulations in all material aspects. The Group is not aware of any non-compliance incidents relating to air and greenhouse gas emission, discharge into water and land, and generation of hazardous and non-hazardous wastes.

USE OF RESOURCES

Environmental Performance

Diesel consumption continues to be the Group's major sources of greenhouse gas ("**GHG**") emissions. Sources of consumption are vehicles, plant and machinery, equipment, trucks and lorries.

The Group's GHG emissions are estimated by reference to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" issued by the EPD and the Electrical and Mechanical Services Department.

Due to constraint of reference, the air emission data listed below focus on generators with travelling distance record such as vehicles, trucks and lorries.

				Intensity (unit/million sales)	
Energy use and emissions	**Unit**	**2019**	**2018**	**2019[1]**	**2018[3]**
Electricity	kWh	98,395	46,252	425	351
Fuel	litre	5,889	6,655	25	50
Diesel	litre	374,968	273,726	1,620	2,077
Greenhouse Gas Emission	CO_2e (tonnes)	994	791	4	6
Nitrogen Oxides (NO_x)	kg	388	410	2	3
Sulphur Oxides (SO_x)	kg	6	1	N/A	N/A
Particulate Matter (PM)	kg	27	34	N/A	N/A

				Intensity (unit/million sales)	
Use of resources	**Unit**	**2019**	**2018**	**2019[1]**	**2018[3]**
Paper	kg	808	983	3	7
Water	litre	8,165[2]	11,218[4]	35	85
Construction waste	tonnes	98,611	41,177	426	312

Notes:

1 Intensity is calculated by the total amount consumption over total revenue for the Review Year, approximately HK$231.5 million.

2 Water consumption for the Review Year refers to water used in construction site (8,081 litre) and water used in warehouse and office (84 litre).

3 Intensity is calculated by the total amount consumption over total revenue for the year ended 31 March 2018, approximately HK$131.8 million.

4 Water consumption for the year ended 31 March 2018 refers to water used in construction site (11,092 litre) and water used in warehouse and office (126 litre).

The Group recorded increases in the consumption of electricity and diesel while there was a decrease in fuel, paper and water consumption. Consumption intensity of fuel and diesel recorded a decrease. Electricity consumption was in proportion with the Group's operational demand for energy. Emissions of the pollutants nitrogen oxides and particulate matter recorded decreases while that of sulphur oxides recorded an increase. Overall, the Group believes that visible progress had been made and will continue to improve its consumption efficiency and usage of resources.

ENVIRONMENT & NATURAL RESOURCES

To balance between business development and lowering its environmental impact, the Group follows a model to make greener decisions which starts with its supply chain, such as prioritising suppliers with environmentally responsible products and practices. The Group's management team always seeks feedback and advice from business partners and external consultants on industry changes, achieving optimal sustainability, compliance, resources and efficiency.

EMPLOYMENT & LABOUR STANDARDS

The Group's internal responsible human resources team reviews our policies and procedures regularly to ensure compliance with all the relevant laws and regulations applicable in the places of the business operation and updates policies in relation to employment health and safety.

Human Resource Management and Labour Standards

Human Resource ("**HR**") management is an integral part of the overall business strategy. The Group's HR policies are in line with the employment laws in Hong Kong and are reviewed and updated regularly. The Group believes in creating positive workplace culture for employees to strengthen and build their career. The HR policies depict the Group's standards in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare. Salaries and wages are usually subject to annual review, which are based on performance appraisals and other relevant factors. When applicable, the Group prioritises internal openings as it is believed that the interpersonal bond and cooperation between colleagues benefit both corporate and personal growth. The Group also provides reasonable working hours and rest period, with different types of leave including annual, maternity, paternity and examination leaves to further cater the needs of the employees.

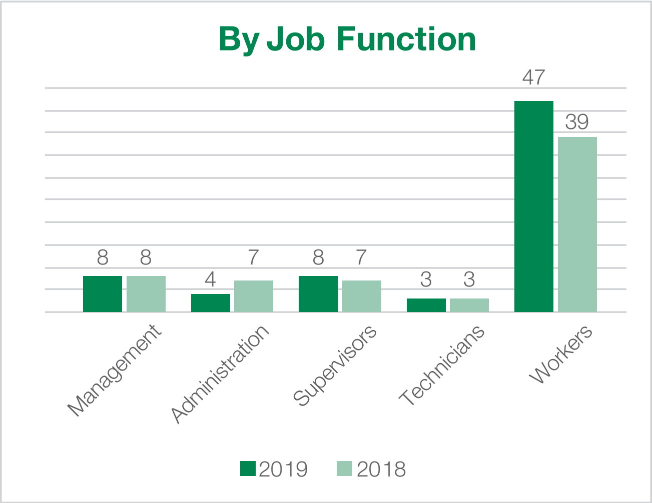
The Group has enjoyed healthy staff relations and retention, which it considers crucial to business sustainability and corporate citizenship. It has and will continue to maintain and improve working environment and benefits for employees and dispatched workers. In the eyes of management of the Group as well as internal control, all remuneration, promotions and termination system and decisions should be executed on the basis of equal opportunities favouring nothing other than competence. The Group prohibits all forms of discriminatory actions against gender, age, race, religion, political affiliation, and national origin. The Group generally recruits employees through placing advertisement in the open market. After learning about candidates' experience, qualification and expertise, management match relevant information along with additional business vision to the job vacancy. The Group determines the employee's remuneration based on factors such as qualification, contribution and years of experience. The key principle of the Group's remuneration policy is to remunerate employees in a manner that is market competitive. The Group regularly carries out staff evaluation to assess their performance. During the Review Year, the Group has complied with all applicable laws and regulations in relation to employment and labour standard, including, but not limited to:

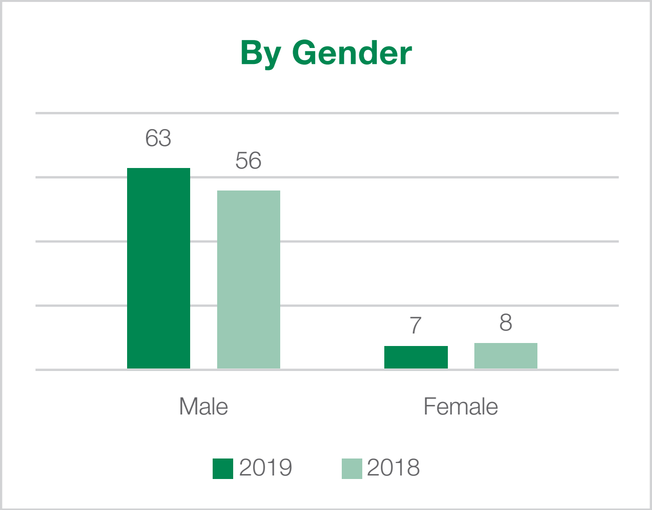
- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong); and
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

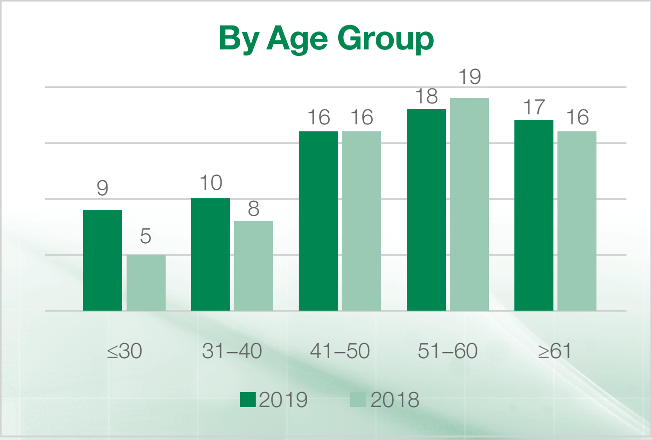
The Group also confirms that child and forced labour are strictly prohibited in the business operation.

Employee Structure

Similar to the rest of the construction industry in Hong Kong, the Group employs construction workers on project basis. Therefore, the traditional method of calculating turnover rate would be extraordinarily high and does not reflect an accurate picture. Headcount of full-time employees with comparative figures is as follows:







SAFETY AND WORKING ENVIRONMENT

The Group uses Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) as a blueprint for the safety standards of its services. Safety performance is recorded and studied in-depth to facilitate improvement and as learning material for both safety officers and workers.

Work safety mechanism

The Group believes that both theoretical knowledge and hands-on practice are important for employees' safety while they are maneuvering machinery or working aloft. The Group regularly provides on-site and mechanical safety training, as well as appropriate and adequate tools for employees to operate effectively. Safety and operational instructions are reiterated in the working environment such as posters and guidelines. This is to remind workers and enhance their awareness of various safety procedures.

- Inspect before use
- Correct use of safety equipment
- Follow safety rules

During the Review Year, there were 2 accidents (2018: 1) and there was no material non-compliance related to providing a safe working environment and protecting employees from occupational hazards. Subsequent to careful investigation, the Group concluded that frontline employees have good knowledge on equipment safety however need to heighten their vigilance for hazards in on-site surroundings. As such, supervisors are to remind workers of often-neglected on-site hazards to minimise avoidable injuries.

STAFF DEVELOPMENT

The Group sees potentials of personal development in its staff members and actively guides them to discover their potential value in the business. Not only to align expectations and progress with employees, the Group's management also aims to match talents with roles at different levels. Therefore, investing in the growth of employees adds to the Group's human asset sustainability and not to mention, benefits its day-to-day operation.

Our flow of growth potential evaluation:

1. Setting expectations and aspirations
2. Regular performance reviews to identify strengths and weaknesses
3. On-going feedback and refinement
4. Annual performance appraisal

In the Group's long-standing history, it experienced that high-calibre talents can inspire better quality of work and a sense of encouragement among peers, achieving better mastery of their work. It has arranged a wide range of training activities for employees to upgrade and update their skills and knowledge, such as seminars and workshops held by industry experts and reputable professional associations.

Internal Courses

Seminars are routinely provided on topics such as emergency handling procedures, occupational safety and health, toolbox training and experience sharing.

SUPPLY CHAIN MANAGEMENT

The Group has established stringent internal controls to acquire goods and services through objective oriented process. The selection of suppliers and subcontractors will be based on background, pricing, service, quality, reputation, and after-sales support, as well as environmental protection considerations.

Once the selection of new supplier and subcontractor are confirmed, they will become our approved suppliers after the management's approval. Besides that, the procurement department regularly reviews the existing suppliers and subcontractors' terms and takes necessary precautionary measures when applicable, such as to communicate any raised procurement standards.

PROJECT MANAGEMENT

The Group's revenue mainly comes from project with non-recurring nature but recurring client, i.e. developers and landlord. The Group conducts business with integrity and credibility such that the word of mouth from satisfied, long-term customers would be its best marketing strategy. The Group has set up a customer communication channel dedicated to handle customers' queries and feedback efficiently. New business is mainly achieved through the direct invitation from customers to quote or bid. Framework of project management is maintaining an active communication manner with customer and other professional parties in every project.

The supervisor and management constantly communicate with the business partners in each project to exchange comments and follow-up procedures.

During the Review Year, the Group has not received any significant service-related complaint (2018: nil).

Data Privacy

In the course of business operation, the Group only collects and maintains basic and public information of the customers. On this basis, the Group considers that is a low risk impact over the area of data privacy. Nevertheless, the practices of collecting, maintaining and using customer information are in line with Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong). During the Review Year, all operating activities of the Group were compliant with the Personal Data (Privacy) Ordinance.

ANTI-CORRUPTION

The Group strictly complies with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and places importance on the ethics of our staff and management team. In order to ensure all business activities within the Group are carried out in good faith and in ethical and lawful manner, the Group established internal anti-corruption guidelines and procedures for the approval of receipt of income and control of expenditure.

All employees are required to comply with the clauses listed in the compliance manual and staff handbook that outline the ethical and lawful behaviours in business situations. For instance, employees shall promptly report to the management and obtain approval if they are likely to accept gifts from clients, suppliers or subcontractors. During the Review Year, the Group was not involved in any legal cases regarding corrupt practices brought against the Group or its employee (2018: nil).

COMMUNITY INVESTMENT

As a local corporation, the Group wishes to take care of the Hong Kong community and grow our business together with the welfare of the society. During the Review Year, we sponsored Photalkgraphers charitable photography exhibition, where the stories of Hong Kong were presented through the cameras of various photographers. The beneficiaries of the fund raised in this event were children with rare diseases. Looking forward, the Group will actively seek more opportunities to contribute to society in different ways and help to bring love and care to people in need.

ESG REPORTING GUIDE INDEX

ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
A. Environment			
A1	Emissions	Emissions	Complied
KPI A1.1	The types of emissions and respective emissions data.	Use of Resources	Complied
KPI A1.2	Greenhouse gas emissions in total, and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — total hazardous waste produced in operation were insignificant	Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Use of Resources	Complied
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Use of Resources	Complied
A2	Use of Resources	Emissions Use of Resources	Complied
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Insufficient data of previous year for the results achieved	Explained
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable — sourcing water in operation was insignificant	Explained

ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — packaging materials used in operation were insignificant	Explained
A3	The Environment and Natural Resources	Environment & Natural Resources	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Use of Resources Environment & Natural Resources	Complied
B. Social			
B1	Employment	Employment & Labour Standards	Complied
B2	Health and Safety	Safety and Working Environment	Complied
B3	Development and Training	Staff Development	Complied
B4	Labour Standards	Employment & Labour Standards	Complied
B5	Supply Chain Management	Supply Chain Management	Complied
B6	Product Responsibility	Project Management except advertising and labelling relating to products and services which were insignificant	Complied and explained
B7	Anti-corruption	Anti-Corruption	Complied
B8	Community Investment	Community Investment	Complied

Directors' Report

The Board is pleased to submit this annual report together with the audited financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in note 13 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for the Review Year are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 47 in this report. The business review of the Group for the Review Year is set out in the section headed "Management Discussion and Analysis" on pages 4 to 9 in this report.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Review Year are set out in note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Review Year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 49 in this report.

Distributable reserves of the Company at 31 March 2019, calculated under the Companies Law of Cayman Islands amounted to approximately HK$48.0 million.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of any final dividend for the Review Year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

For the Review Year and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group during the Review Year are set out in note 14 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Restated Articles or the Laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 13 to 24 in this report.

ANNUAL GENERAL MEETING ("AGM")

The 2019 AGM will be held on Thursday, 5 September 2019. The notice of the AGM will be published and dispatched to shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Saturday, 31 August 2019 to Thursday, 5 September 2019 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of Shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 30 August 2019.

DIRECTORS

The Directors during the Review Year and up to the date of this report are:

Executive Directors:
Mr. Wong Yan Hung
Mr. Wong Tony Yee Pong
Mr. Lai Kwok Fai
Mr. Lam Joseph Chok

Independent Non-executive Directors:
Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

In accordance with article 108 of the Restated Articles, at each AGM, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Restated Articles, Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Tam Wai Tak Victor will retire from office as Directors at the forthcoming AGM of the Company, being eligible, and offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of 3 years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

Each of the independent non-executive Directors has entered a letter of appointment with the Company for a term of 2 years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

NON-COMPETITION UNDERTAKING

Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong, Mr. Lai Kwok Fai and May City Holdings Limited ("**May City**") (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition dated 3 September 2016 in favour of the Company and the subsidiaries (the "**Deed of Non-Competition**"). Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of the subsidiaries), among others, that, during the period which (i) the Shares remain listed on the Stock Exchange; and (ii) the Controlling Shareholder and their close associates (other than members of the Group) individually or jointly, are entitled to exercise, or control the exercise of, not less 30% of the voting power at general meeting of the Company or the Controlling Shareholders or the relevant close associates remains as a director of any member of the Group, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to carry on or be engaged, concerned or interested, or otherwise be involved directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time.

Each of the Controlling Shareholders further undertakes that if any business investment or other commercial opportunity which may compete with the business of the Group is identified by or offered to him/it, he/it shall procure that his/its close associates to promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity. The Group shall within 30 days after the receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Controlling Shareholders whether the Group will exercise the right of first refusal.

The Company has received a written confirmation from the Controlling Shareholders in respect of the compliance with and the enforcement of the terms of the Deed of Non-Competition by the Controlling Shareholders during the Review Year.

All independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition entered into by the Controlling Shareholders as to whether the Controlling Shareholders had abided by the Deed of Non-Competition. All independent non-executive Directors also confirmed that the Controlling Shareholders had not been in breach of the Deed of Non-Competition during the Review Year.

Directors' Report

COMPETING INTERESTS

The Directors confirm that neither the Directors nor the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Review Year, and is required to be disclosed pursuant to rule 8.10 of the Listing Rules.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this report and the Prospectus, is set out on page 98 in this report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Review Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 10 to 12 in this report.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set in note 9 to the consolidated financial statements.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

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

i. Long position in our Shares

Name of Directors	Capacity/Nature	Number of Shares held/interested in	Percentage of shareholding
Mr. Wong Yan Hung	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Lai Kwok Fai	Interest in a controlled corporation (Note)	2,040,000,000	51%

Note:

These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

ii. Long position in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/Nature	Number of shares held/interested in	Percentage of interest
Mr. Wong Yan Hung	May City	Beneficial interest	40	40%
Mr. Wong Tony Yee Pong	May City	Beneficial interest	30	30%
Mr. Lai Kwok Fai	May City	Beneficial interest	30	30%

Save as disclosed above, as at 31 March 2019, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 under the Model Code.

INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2019, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
May City	Beneficial interest (Note 1)	2,040,000,000	51%
Ms. Choi Mei Chu	Interest of spouse (Note 2)	2,040,000,000	51%
Ms. Lee Pik Yu, Kenji	Interest of spouse (Note 3)	2,040,000,000	51%
Ms. Mak Kit Ling	Interest of spouse (Note 4)	2,040,000,000	51%

Notes:

1. These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

2. Ms. Choi Mei Chu is the spouse of Mr. Wong Yan Hung and is deemed or taken to be interested in all the Shares in which Mr. Wong Yan Hung has, or is deemed to have, an interest for the purposes of the SFO.

3. Ms. Lee Pik Yu, Kenji is the spouse of Mr. Wong Tony Yee Pong and is deemed or taken to be interested in all the Shares in which Mr. Wong Tony Yee Pong has, or is deemed to have, an interest for the purposes of the SFO.

4. Ms. Mak Kit Ling is the spouse of Mr. Lai Kwok Fai and is deemed or taken to be interested in all the Shares in which Mr. Lai Kwok Fai has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 31 March 2019, no other persons had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 September 2016. The principal terms of the Share Option Scheme are summarised in note 23 to the consolidated financial statements. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 3 September 2016, and there is no outstanding share option as at 31 March 2019.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Review Year and up to the date of this report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of sales and purchases for the Review Year attributable to the Group's major customers and suppliers are as follow:

Sales	
— the largest customer	38%
— five largest customers	99%
Purchases	
— the largest supplier	23%
— five largest suppliers	54%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

DONATIONS

During the Review Year, the Group made charitable and other donations amounting to HK$215,000.

RELATED PARTIES

Details of the significant related party transactions undertaken in the normal course of business are set out in note 29 to the consolidated financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 13 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Review Year and up to the date of this report.

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes during the Review Year.

AUDITORS

The consolidated financial statement for the Review Year have been audited by HLB Hodgson Impey Cheng Limited, who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

EVENTS AFTER THE REVIEW YEAR

The Directors confirm that no significant event has taken place after the Review Year.

By Order of the Board
Shun Wo Group Holdings Limited
Wong Yan Hung
Chairman

Hong Kong, 28 June 2019

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF
SHUN WO GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shun Wo Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 43 to 97, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets *Refer to Note 2.23, Note 5, Note 7 and Note 16 to the consolidated financial statements*	
We identified recognition of revenue and costs from construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management; • Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined; • Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment applications; • Testing the actual costs incurred on construction works; • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and • Assessing the appropriateness and adequate of the disclosures made in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditors' 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors’ report is Mr. Kwok Kin Leung.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 28 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**231,531**	131,781
Direct costs		**(235,802)**	(106,247)
Gross (loss)/profit		**(4,271)**	25,534
Other income, other gains and losses	5	**678**	2,287
Administrative and other operating expenses		**(22,519)**	(21,042)
Net impairment losses on financial assets and contract assets		**(38)**	–
Finance costs	6	**(25)**	(218)
(Loss)/profit before income tax	7	**(26,175)**	6,561
Income tax credit/(expense)	10	**1,043**	(999)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company		**(25,132)**	5,562
(Loss)/earnings per share attributable to owners of the Company			
— Basic and diluted (loss)/earnings per share (HK cents)	11	**(0.63)**	0.14

Details of dividends are disclosed to note 12 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

AS AT 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**12,431**	19,882
Current assets			
Contract assets	16	**47,674**	–
Gross amounts due from customers for contract work	17	**–**	15,445
Trade and other receivables	18	**31,074**	54,113
Bank deposits	19	**2,829**	22,812
Current income tax recoverable		**1,641**	473
Cash and cash equivalents	20	**66,036**	73,038
		149,254	165,881
Total assets		**161,685**	185,763
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	21	**40,000**	40,000
Reserves	22	**90,937**	122,371
Total equity		**130,937**	162,371
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	26	**856**	2,143
Current liabilities			
Trade and other payables	24	**29,892**	18,551
Finance lease liabilities	25	**–**	2,698
		29,892	21,249
Total liabilities		**30,748**	23,392
Total equity and liabilities		**161,685**	185,763
Net current assets		**119,362**	144,632
Total assets less current liabilities		**131,793**	164,514

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2019 and signed on its behalf by:

Mr. Wong Yan Hung
Director

Mr. Wong Tony Yee Pong
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital HK$'000 (Note 21)	Share premium HK$'000 (Note 22)	Merger reserve HK$'000 (Note 22)	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2017	40,000	56,625	198	59,986	156,809
Profit and total comprehensive income for the year	–	–	–	5,562	5,562
Balance at 31 March 2018	40,000	56,625*	198*	65,548*	162,371
Effect on initial application of HKFRS 9 and HKFRS 15	–	–	–	(6,302)	(6,302)
Balance at 1 April 2018	40,000	56,625	198	59,246	156,069
Profit and total comprehensive expense for the year	–	–	–	(25,132)	(25,132)
Balance at 31 March 2019	**40,000**	**56,625***	**198***	**34,114***	**130,937**

* These reserve accounts comprise the consolidated reserves of approximately HK$90,937,000 (2018: HK$122,371,000) in the consolidated statement of financial position.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	27(a)	**(24,278)**	16,405
Tax paid		**(280)**	–
Net cash (used in)/generated from operating activities		**(24,558)**	16,405
Cash flows from investing activities			
Interest received		**329**	658
Decrease in bank deposits		**20,000**	19,000
Purchases of property, plant and equipment		**(610)**	(7,671)
Proceed from disposal of property, plant and equipment		**560**	663
Net cash generated from investing activities		**20,279**	12,650
Cash flows from financing activities			
Interest paid		**(25)**	(218)
Repayment of finance leases liabilities		**(2,698)**	(5,214)
Net cash used in financing activities		**(2,723)**	(5,432)
Net (decrease)/increase in cash and cash equivalents		**(7,002)**	23,623
Cash and cash equivalents at the beginning of year		**73,038**	49,415
Cash and cash equivalents at the end of year		**66,036**	73,038

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Shun Wo Group Holdings Limited (the "**Company**") is an investment holding company. The Company and its subsidiaries (collectively referred as to the "**Group**") is principally engaged in undertaking foundation works in Hong Kong.

The Company was incorporated in the Cayman Islands on 3 May 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 28 September 2016.

As at 31 March 2019, its parent and ultimate holding company is May City Holdings Limited ("**May City**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned as to 40% by Mr. Wong Yan Hung ("**Mr. YH Wong**"), 30% by Mr. Wong Tony Yee Pong ("**Mr. Tony Wong**") and 30% by Mr. Lai Kwok Fai ("**Mr. Lai**").

The address of the registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is 26th Floor, Lancashire Centre, 361 Shaukeiwan Road, Hong Kong.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements set out in this report have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
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
HK(IFRIC)—Int 22	Foreign Currency Transactions and Advance Consideration

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

(ii) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

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

HKFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures (continued)

(ii) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption (continued)

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Revenue from provision of foundation work services which arise from contracts with customers

Information about the Group's performance obligations resulting from application of HKFRS 15 is disclosed in note 5.

Summary of effects arising from initial application of HKFRS 15

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

	HK$'000
Retained earnings	
Recognition of construction costs	6,692
Tax effect	(1,030)
Impact at 1 April 2018	5,662

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

	Notes	Carrying amounts previously reported at 31 March 2018 HK$'000	Impact of HKFRS 15 HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018* HK$'000
Current assets				
Contract assets	(b)&(c)	–	21,540	21,540
Gross amounts due from customers for contract work	(a)&(c)	15,445	(15,445)	–
Trade and other receivables	(b)	54,113	(12,787)	41,326
Current income tax recoverable	(a)	473	888	1,361
Non-current liabilities				
Deferred tax liabilities	(a)	2,143	(142)	2,001
Capital and reserves				
Retained earnings	(a)	65,548	(5,662)	59,886

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures (continued)

(ii) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption (continued)

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

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Under HKAS 11, contract costs are recognised as expenses by reference to the stage of completion, which is measured by reference to work performed to date as a percentage of total contract value. Under HKFRS 15, costs that related to satisfied performance obligations are expensed as incurred. Construction costs of approximately HK$6,692,000 recognised in gross amounts due from customers for contract work were adjusted to retained earnings. The related tax effect of approximately HK$1,030,000 was recognised in opening retained earnings in which approximately HK$888,000 and HK$142,000 was recognised in current income tax recoverable and deferred tax liabilities, respectively.

(b) At the date of initial application, retention receivables of approximately HK$12,787,000 arising from the construction contracts was reclassified from trade and other receivables to contract assets.

(c) At the date of initial application, amount of approximately HK$8,753,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from customers for contract work to contract assets.

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

Impact on the consolidated statement of financial position:

	As reported HK$'000	**Adjustments** HK$'000	**Amounts without application of HKFRS 15** HK$'000
Contract assets	47,674	(47,674)	–
Gross amounts due from customers for contract work	–	38,442	38,442
Trade and other receivables	31,074	18,422	49,496
Current income tax recoverable	1,641	(801)	840
Gross amounts due to customers for contract work	–	4,338	4,338
Retained earnings	34,114	4,051	38,165

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures (continued)

(ii) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption (continued)

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

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

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	HK$'000	HK$'000
Direct costs	235,802	(4,852)	230,950
Income tax credit	1,043	(801)	242
Loss for the year	25,132	(4,051)	21,081

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

(iii) HKFRS 9 Financial Instruments — Impact of adoption

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 lease receivables and (3) general hedge accounting. The Group has applied HKFRS 9 in accordance with the transition provision 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 earnings, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* ("**HKAS 39**").

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures (continued)

(iii) HKFRS 9 Financial Instruments — Impact of adoption (continued)

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate grouping based on same risk characteristics.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there have been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of approximately HK$742,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

All loss allowance as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Contract assets HK$'000	Trade and other receivables HK$'000
At 31 March 2018 — HKAS 39	–	–
Amount remeasured through opening retained earnings	218	524
At 1 April 2018 — HKFRS 9	218	524

Summary of effects arising from initial application of HKFRS 9

The following table summarises the impacts of transition to HKFRS 9 on retained earnings at 1 April 2018.

	HK$'000
Retained earnings	
Recognition of impairment losses	742
Tax effect	(102)
Impact at 1 April 2018	640

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures (continued)

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

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

	31 March 2018 As originally presented HK$'000	HKFRS 9 HK$'000	HKFRS 15 HK$'000	1 April 2018 Restated HK$'000
Current assets				
Contract assets	–	(218)	21,540	21,322
Amounts due from customers for contract work	15,445	–	(15,445)	–
Trade and other receivables	54,113	(524)	(12,787)	40,802
Current income tax recoverable	473	–	888	1,361
Non-current liabilities				
Deferred tax liabilities	2,143	(102)	(142)	1,899
Reserves				
Retained earnings	65,548	(640)	(5,662)	59,246

(v) New and amended standards and interpretations in issue but not yet effective and not been early adopted

A number of new and amended standards and interpretations have been published that are not mandatory for the year ended 31 March 2019 and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[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 HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures (continued)

(v) New and amended standards and interpretations in issue but not yet effective and not been early adopted (continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating 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. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements.

As set out in note 28, the total operating lease commitment of the Group as at 31 March 2019 amounted to approximately HK$343,000. 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.

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

2.3 Principal of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred. The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.7 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease terms as follows:

Leasehold improvements	Over shorter of lease terms or 20%
Furniture, fixtures and office equipment	20%
Plant, machinery and equipment	20%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(i) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity' business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(iii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

- actual or expected significant changes in the operating results of the debtors.

- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the Group and historical credit loss experience.

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). A financial asset is credit impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(v) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 March 2018, the Group classifies its financial assets as financial assets at FVPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Subsequent measurement

The measurement at initial recognition did not change the adoption of HKFRS 9, see description above. Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and loss allowance were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets at amortised cost

For loans and receivables category, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss.

If, in a subsequent period, the amount of the loss allowance decreased and the decrease could be related objectively to an event occurring after the loss allowance was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised loss allowance was recognised in profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Subsequent recoveries of amounts previously written off are credited against credit impairment loss in the consolidated statement of profit or loss and other comprehensive income.

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing cost are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.20 Share-based payments

Share-based compensation benefits are provided to employees via an employee share scheme. Information relating to the scheme is set out in note 23.

The fair value of options granted under the scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

Provisions are recognised when, the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Contingent liabilities and continent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.23 Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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 customers.

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 relevant performance obligation if one of the following criteria is met:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

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

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not 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 services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

Revenue from construction contracts is described in the accounting policy on construction contracts below.

Rental income from leased machineries are recognised in profit or loss on a straight-line basis over the lease.

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

2.24 Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to construction work under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, based on direct measurement of the value of contract work performed, provided that the value of contract work performed can be measured reliably. The value of contract work performed is measured according to the completion of specific detailed components as set out in the contract. Variations in contract work are recognised as contract revenue to the extent that the modification has been approved by the parties to the contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (applicable before 1 April 2018)

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

A construction contract is defined in HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

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

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables".

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profit (less recognised losses).

Rental income from leased machineries are recognised in profit or loss on a straight-line basis over the term of the lease.

Interest income is recognised using the effective interest method.

2.26 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities.

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group does not expose to significant interest rate risk arising from its borrowings as the Group's finance lease liabilities were at fixed interest rates. The fixed rate instruments of the Group were insensitive to any change in market interest rates. The Group currently does not hedge its exposure to the interest rate risk as the management of the Group consider that the risk is insignificant.

Credit risk

Credit risk arises mainly from contract assets, trade and other receivables, bank deposits and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on the Group's customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the ECL model upon application of HKFRS 9 (2018: incurred loss model) on its financial assets and contract assets. In this regard, management considers that the Group's credit risk is significantly reduced.

The loss allowance for trade receivables and contract assets were determined as follows:

	Weighted average expected credit loss rate	Gross carrying amount HK$'000	Expected credit losses HK$'000	Net carrying amount HK$'000
At 31 March 2019				
Trade receivables	1.86%	25,656	477	25,179
Contract assets	0.63%	47,977	303	47,674

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Credit risk (continued)

The closing loss allowance for trade receivables and contract assets as at 31 March 2019 reconcile to the opening loss allowance are as follows:

	Trade receivables Life-time ECL (not credit impaired) HK$'000	Contract assets Life-time ECL (not credit impaired) HK$'000
31 March 2018 — calculated under HKAS 39	–	–
Amounts restated through opening retained earnings	524	218
Opening loss allowance at 1 April 2018 — calculated under HKFRS 9	524	218
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(47)	85
At 31 March 2019	477	303

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings based on same risk characteristics. The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The Group performs impairment assessment under the ECL model upon application of HKFRS 9 (2018: incurred loss model) on other receivables, bank deposits and cash and cash equivalents. The ECL on these assets are based on 12m ECL as there have been no significant increase in credit risk since initial recognition.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors are of the opinion the risk of default by the counterparties of other receivables is not significant.

The credit risk of bank deposits and bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

As at 31 March 2019, there were 3 customers (2018: 3) which individually contributed over 10% of the Group's trade and other receivables and contract assets. The aggregate amounts of trade and other receivables and contract assets from these customers amounted to approximately 85.5% of the Group's total trade and other receivables and contract assets as at 31 March 2019 (2018: 57.4% of the Group's total trade and other receivables).

Other than concentration of credit risk on liquid funds which are deposited with banks with sound credit ratings or good reputation and on trade and other receivables and contract assets as disclose above, the Group does not have any other significant concentration of credit risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2019				
Trade and other payables	**29,892**	**–**	**29,892**	**29,892**
As at 31 March 2018				
Trade and other payables	18,551	–	18,551	18,551
Finance lease liabilities	2,734	–	2,734	2,698
	21,285	–	21,285	21,249

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The gearing ratios of the Group are as follows:

	2019 **HK$'000**	2018 HK$'000
Finance lease liabilities (Note 25)	**–**	2,698
Total equity	**130,937**	162,371
Gearing ratio	**0%**	1.7%

3.3 Fair values measurements

The fair value measurements are categorised under the three-level fair value hierarchy as defined in HKFRS 13 *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at 31 March 2019 and 2018, the Group has no financial instruments measured at fair value subsequent to initial recognition on a recurring basis.

The directors of the Company considers that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position are not materially different from their fair values at 31 March 2019 and 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Impairment of financial assets and contract assets

Until 31 March 2018, management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of the reporting period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Since 1 April 2018, the loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Progress towards of completion of construction works

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

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income, other gains and losses recognised during the reporting period are as follows:

	2019 HK$'000	2018 HK$'000
Revenue		
Main contracting	46,019	27,752
Sub-contracting	185,512	104,029
	231,531	131,781
Other income, other gains and losses		
Rental income	179	314
Gain on disposal of property, plant and equipment	51	1,215
Dividend income from financial assets	–	348
Interest income	329	658
Loss on disposal of financial assets	–	(257)
Others	119	9
	678	2,287

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue from contracts with customers

	2019 HK$'000
Timing of revenue recognition	
Over-time	**231,531**
Types of goods or services	
Foundation work services	**231,531**

Performance obligations for contracts with customers

The Group provides foundation work services to customers. Such services are recognised as a performance obligation satisfied over-time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these services is therefore recognised over-time using output method, i.e. based on surveys of the relevant services completed by the Group to date with reference to certificates issued by customers or payment applications. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

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

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

	Foundation work services HK$'000
Within one year	**50,441**

Segment information

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews consolidated financial statements accordingly. Also, the Group only engages its business in Hong Kong and all the non-current assets of the Group are located in Hong Kong. Therefore, no segment and geographical information is presented.

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Information about the major customers

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

	2019 HK$'000	2018 HK$'000
Customer A[1]	88,568	43,345
Customer B[1]	73,832	21,719
Customer C[2]	46,019	26,978
Customer D[1]	N/A[3]	18,824

[1] *Revenue from sub-contracting.*

[2] *Revenue from both main and sub-contracting*

[3] *The corresponding revenue did not contribute over 10% of total revenue of the Group*

6. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on finance leases	25	218

7. (LOSS)/PROFIT BEFORE INCOME TAX

	2019 HK$'000	2018 HK$'000
Included in direct costs:		
Depreciation of owned assets (Note 14)	**4,794**	2,154
Depreciation of assets under finance leases (Note 14)	**634**	2,290
Staff costs (Note 8)	**31,035**	22,354
Operating lease rental in respect of		
— Plant and machinery	**3,751**	2,342
— Others	**28**	20
Included in administrative and other operating expenses:		
Auditors' remuneration	**780**	750
Depreciation of owned assets (Note 14)	**1,997**	1,932
Depreciation of assets under finance leases (Note 14)	**127**	1,242
Operating lease rental in respect of		
— Premises	**1,476**	1,302
— Car parks	**139**	156
Staff costs, including directors' emoluments (Note 8)	**12,347**	10,278

8. EMPLOYEE BENEFITS EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	**42,163**	31,696
Retirement scheme contributions		
— Defined contribution plan	**1,219**	919
	43,382	32,615
Add: Amount included in gross amounts due from customers for contract work	**–**	17
	43,382	32,632

The Group operates a defined contribution scheme in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

9. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the years ended 31 March 2019 and 2018 is set out below:

	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2019					
Executive directors					
Mr. YH Wong	–	2,080	45	18	2,143
Mr. Tony Wong *(Chief executive officer)*	–	1,960	40	18	2,018
Mr. Lai	–	1,960	40	18	2,018
Mr. Lam Joseph Chok (Note)	–	600	–	18	618
Independent non-executive directors					
Mr. Law Ka Ho	150	–	–	–	150
Mr. Leung Wai Lim	150	–	–	–	150
Mr. Tam Wai Tak Victor	150	–	–	–	150
	450	6,600	125	72	7,247
Year ended 31 March 2018					
Executive directors					
Mr. YH Wong	–	1,080	90	18	1,188
Mr. Tony Wong *(Chief executive officer)*	–	960	80	18	1,058
Mr. Lai	–	960	80	18	1,058
Mr. Lam Joseph Chok (Note)	–	511	–	16	527
Independent non-executive directors					
Mr. Law Ka Ho	150	–	–	–	150
Mr. Leung Wai Lim	150	–	–	–	150
Mr. Tam Wai Tak Victor	150	–	–	–	150
	450	3,511	250	70	4,281

Note: Mr. Lam Joseph Chok was appointed as an executive director of the Company on 25 May 2017.

During the year ended 31 March 2019, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2019 (2018: nil).

9. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, 3 (2018: 3) of them are directors of the Company whose emoluments are disclosed above. The emoluments in respect of the remaining 2 (2018: 2) highest paid individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits in kind	1,405	1,335
Discretionary bonuses	135	150
Retirement scheme contributions	33	18
	1,573	1,503

The emoluments of each of the above non-directors, highest paid individuals were below HK$1,000,000. During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

10. INCOME TAX (CREDIT)/EXPENSE

	2019 HK$'000	2018 HK$'000
Current income tax — Hong Kong profits tax	–	889
Deferred income tax (Note 26)	(1,043)	110
Income tax (credit)/expense	(1,043)	999

The Group is subjected to Hong Kong profits tax at a rate of 16.5% for the year ended 31 March 2018.

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

Accordingly, starting from the current year, one of the subsidiaries of the Company is subject to Hong Kong profits tax at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 March 2019.

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax	(26,175)	6,561
Calculated at a tax rate of 16.5%	(4,319)	1,083
Tax effects of:		
— Income not subject to tax	(54)	(158)
— Expenses not deductible for tax purposes	505	613
— Utilisation of previously unrecognised tax losses	(1,019)	(344)
— Others	(92)	(165)
— Tax loss not recognised	3,936	–
— Tax concession	–	(30)
Income tax (credit)/expense	(1,043)	999

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit attributable to owners of the Company (HK$'000)	**(25,132)**	5,562
Weighted average number of ordinary shares in issue (thousands of shares)	**4,000,000**	4,000,000
Basic (loss)/earnings per share (HK cents)	**(0.63)**	0.14

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2019 and 2018.

12. DIVIDENDS

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

13. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid-up share capital	Proportion of ownership interest held by the Company	Principal activities
Umma Floral Limited ("**Umma Floral**")	BVI	United States Dollars ("US$") 10	100% (direct)	Investment holding
Hop Kee Construction Company Limited ("**Hop Kee Construction**")	Hong Kong	HK$100,000	100% (indirect)	Provision of foundation works in Hong Kong
Hop Kee Machinery Transportation Company Limited ("**Hop Kee Machinery**")	Hong Kong	HK$100,000	100% (indirect)	Acquisition and holding of plant and machinery of the Group
Hop Kee Construction Company Limited ("**Hop Kee Construction (BVI)**")	BVI	US$1	100% (indirect)	Handling intellectual property and other administrative matters of the Group

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
As at 1 April 2017	546	476	29,516	4,566	35,104
Additions	–	67	6,953	651	7,671
Disposals	–	(14)	(1,580)	(2,035)	(3,629)
As at 31 March 2018	546	529	34,889	3,182	39,146
Accumulated depreciation					
As at 1 April 2017	(205)	(200)	(11,910)	(2,232)	(14,547)
Charge for the year (Note 7)	(128)	(103)	(6,191)	(1,196)	(7,618)
Disposals	–	5	1,115	1,781	2,901
As at 31 March 2018	(333)	(298)	(16,986)	(1,647)	(19,264)
Net book value					
As at 31 March 2018	213	231	17,903	1,535	19,882
Cost					
As at 1 April 2018	546	529	34,889	3,182	39,146
Additions	–	–	610	–	610
Disposals	–	–	(385)	(200)	(585)
As at 31 March 2019	**546**	**529**	**35,114**	**2,982**	**39,171**
Accumulated depreciation					
As at 1 April 2018	(333)	(298)	(16,986)	(1,647)	(19,264)
Charge for the year (Note 7)	(128)	(85)	(6,703)	(636)	(7,552)
Disposals	–	–	71	5	76
As at 31 March 2019	**(461)**	**(383)**	**(23,618)**	**(2,278)**	**(26,740)**
Net book value					
As at 31 March 2019	**85**	**146**	**11,496**	**704**	**12,431**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Fixed assets under finance leases

Plant, machinery and equipment include the following amounts where the Group is a lessee under finance lease.

	2019 HK$'000	2018 HK$'000
Cost — capitalised finance lease	**–**	16,310
Accumulated depreciation	**–**	(9,887)
Net book value (Note 25)	**–**	6,423

15. FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Financial assets		
At amortised cost (2018: Loans and receivables)		
Trade and other receivables excluding prepayments	**30,651**	53,082
Bank deposits	**2,829**	22,812
Cash and cash equivalents	**66,036**	73,038
	99,516	148,932
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**29,892**	18,551
Finance lease liabilities	**–**	2,698
	29,892	21,249

16. CONTRACT ASSETS

	31 March 2019 HK$'000	1 April 2018 HK$'000*
Contract assets	**47,977**	21,540
Less: allowance for credit losses	**(303)**	(218)
	47,674	21,322

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

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

As at 31 March 2019, included in carrying amount of contract assets comprises retention money held by customers for construction work amounted to approximately HK$18,422,000, of which approximately HK$9,706,000, is unsecured, interest-free and expected to be recovered or settled in more than twelve months from the end of reporting period.

17. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2019 HK$'000	2018 HK$'000
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	**–**	67,165
Less: Progress billings received and receivables	**–**	(51,720)
	–	15,445

18. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**25,656**	35,079
Less: allowance for credit losses	**(477)**	–
	25,179	35,079
Retention receivables*	**–**	12,787
Other receivables, deposits and prepayments	**5,895**	6,247
	5,895	19,034
	31,074	54,113

* Upon application of HKFRS 15, the retention receivables were reclassified to contract assets.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The credit period granted to customers ranges from 30 to 32 days (2018: 30 to 32 days) generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of trade receivables, net of allowance for credit losses based on date of payment certificates issued by customers or invoice date, whichever is applicable, are as follows:

	2019 **HK$'000**	2018 HK$'000
0–30 days	**6,361**	18,305
31–60 days	**6,517**	8,346
61–90 days	**8,962**	7,986
Over 90 days	**3,339**	442
	25,179	35,079

Trade receivables of approximately HK$20,527,000 as at 31 March 2018 were not yet past due, and approximately HK$14,552,000 as at 31 March 2018 were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

	2018 HK$'000
Overdue by:	
1–30 days	11,601
31–60 days	2,951
	14,552

(c) At 31 March 2018, retentions held by customers for contract works amounted to approximately HK$12,787,000. Retention monies withheld by customers for contract works are released after the completion of defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Except for retention receivables of approximately HK$4,762,000, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

(d) Starting from 1 April 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on same credit risk characteristics.

See note 3.1 for further information about expected credit loss provision.

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$18,818,000 which are past due and which impairment loss had not been provided for to be of good credit quality and they are expected to be recoverable. The Group does not hold any collateral over these balances. Include in the past due balance of approximately HK$3,339,000 has been past due 90 days or more and is not considered as in default based on good repayment records for those debtors and continuous business with the Group.

(e) Included in other receivables, deposits and prepayments was an amount due from a related company, Shun Hang Chemical Limited for the proceed from disposal of a motor vehicle amounting to approximately HK$1,280,000 (Note 29) as at 31 March 2018.

19. BANK DEPOSITS

	2019 **HK$'000**	2018 HK$'000
Pledged bank deposits (Note (a))	**–**	2,812
Non-pledged bank deposits (Note (b))	**2,829**	20,000
Bank deposits	**2,829**	22,812

Notes:

(a) Pledged bank deposits represent deposits pledged to banks for the bank overdrafts facilities and as surety bond for faithful of performance in accordance to the contract between the Group and the customers. The effective interest rate on the pledged bank deposit was 0.02% per annum as at 31 March 2018. The carrying amounts of the pledged bank deposits were denominated in HK$.

(b) The effective interest rate for the non-pledged bank deposit is 0.3% per annum as at 31 March 2019 (2018: 1.3%) and the carrying amounts of non-pledged bank deposits are denominated in HK$.

20. CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Cash at banks	**66,036**	63,038
Short-term bank deposits	**–**	10,000
Cash and cash equivalents	**66,036**	73,038

Notes:

(a) The carrying amounts of cash and cash equivalents are denominated in HK$.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(c) Short-term bank deposits carry interest rate at 0.9% per annum as at 31 March 2018 and with original maturities within 3 months. The carrying amounts of the short-term bank deposits are denominated in HK$.

21. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 March 2018 and 2019	**10,000,000,000**	**100,000**
Issued and fully paid:		
As at 31 March 2018 and 2019	**4,000,000,000**	**40,000**

22. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation.

23. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 3 September 2016. The Scheme is to attract and retain the best personnel, to provide additional incentive to the eligible participants under the Scheme.

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

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

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

23. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 3 September 2016, subject to early termination provisions contained in the Scheme.

No share options were granted, exercised, cancelled or lapsed since the adoption of the Scheme and there were no share option outstanding as at 31 March 2019 and 2018.

24. TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables	**20,044**	11,722
Retention payables (Note (b))	**5,233**	2,168
Accruals and other payables	**4,615**	4,661
	29,892	18,551

Notes:

(a) Payment terms granted by suppliers are generally within two months.

The ageing analysis of trade payables based on invoice date are as follows:

	2019 **HK$'000**	2018 HK$'000
0–30 days	**12,681**	4,840
31–60 days	**6,240**	5,261
61–90 days	**625**	287
Over 90 days	**498**	1,334
	20,044	11,722

(b) Except for an amount of approximately HK$1,108,000 (2018: HK$628,000), all of the remaining balances are expected to be settled within one year.

(c) All trade and other payables are denominated in HK$.

25. FINANCE LEASE LIABILITIES

The Group had finance leases repayable as follows:

	2019		2018	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within one year	–	–	2,698	2,734
More than one year but no more than two years	–	–	–	–
	–	–	2,698	2,734
Less: Total future interest expenses		–		(36)
Present value of lease obligations		–		2,698

The Group leased certain machineries under finance leases. The lease term was 3 years and bore interest at 3.6% to 4.3% per annum as at 31 March 2018. The Group has no machinery under finance lease as at 31 March 2019.

The finance lease were secured by the Group's machineries with aggregate net book value of approximately nil (2018: HK$6,423,000) as at 31 March 2019 (Note 14).

The carrying amounts of all finance lease liabilities were denominated in HK$.

26. DEFERRED TAX LIABILITIES

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	ECL provision HK$'000	Tax losses HK$'000	Tax depreciation HK$'000	Total HK$'000
As at 1 April 2017	–	–	2,033	2,033
Charged to profit or loss (Note 10)	–	–	110	110
As at 31 March 2018	–	–	2,143	2,143
Effect of initial application of HKFRS 9 & 15	(102)	(142)	–	(244)
At 1 April 2018	(102)	(142)	2,143	1,899
Credited to profit or loss (Note 10)	102	142	(1,287)	(1,043)
As at 31 March 2019	**–**	**–**	**856**	**856**

As at 31 March 2019, the Group has estimated unused tax losses of approximately HK$24,928,000 (2018: HK$6,216,000), which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of (loss)/profit before income tax to net cash (used in)/generated from operations

	2019 **HK$'000**	2018 HK$'000
(Loss)/profit before income tax	**(26,175)**	6,561
Adjustments for:		
Depreciation	**7,552**	7,618
Interest expense	**25**	218
Interest income	**(329)**	(658)
Net impairment losses on financial assets and contract assets	**38**	–
Gain on disposal of property, plant and equipment	**(51)**	(1,215)
Operating (loss)/profit before working capital changes	**(18,940)**	12,524
Increase in gross amounts due from customers for contract work	**–**	(520)
Decrease/(increase) in trade and other receivables	**9,775**	(5,236)
(Increase)/decrease in bank deposits	**(17)**	851
Increase in contract assets	**(26,437)**	–
Increase in trade and other payables	**11,341**	8,786
Net cash (used in)/generated from operations	**(24,278)**	16,405

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or further cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Finance lease liabilities HK$'000	**Total** HK$'000
As at 1 April 2017	7,912	7,912
Changes from financing cash flows:		
Capital element of finance lease rentals paid	(5,214)	(5,214)
Interest element of finance lease rentals paid	(218)	(218)
Other changes:		
Finance charges on finance lease liabilities	218	218
As at 31 March 2018	2,698	2,698
Changes from financing cash flows:		
Capital element of finance lease rentals paid	(2,698)	(2,698)
Interest element of finance lease rental paid	(25)	(25)
Other changes:		
Finance charges on finance lease liabilities	25	25
As at 31 March 2019	**–**	**–**

28. COMMITMENTS

Operating lease commitments — Group as lessee

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

	2019 HK$'000	2018 HK$'000
Within one year	343	588
In the second to fifth years inclusive	–	343
	343	931

Operating lease relates to office premises with an initial lease term of three years.

29. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following company that had transactions with the Group is a related party:

Name	Relationship with the Group
Hop Kee Development Co., Limited	A related company was owned by Mr. YH Wong and Mr. Tony Wong as to 50% and 30% respectively
Shun Tai Holdings Limited	A related company was owned by Mr. YH Wong, Mr. Tony Wong and Mr. Lai as to 40%, 30% and 30% respectively
Shun Hang Chemical Limited	A related company was owned by Mr. YH Wong and Mr. Tony Wong as to 50% and 50% respectively

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	2019 HK$'000	2018 HK$'000
Rental of office and car park paid to:		
Hop Kee Development Co., Limited (Note (i))	**276**	247
Rental of warehouse paid to:		
Shun Tai Holdings Limited (Note (i))	**720**	532
Disposal of a motor vehicle to:		
Shun Hang Chemical Limited (Note (ii))	**–**	1,280

Notes:

(i) The rental expenses for premises, car parking spaces and warehouse payable to the above related parties are based on the agreements entered into between the parties involved.

(ii) The amount represents the proceed from disposal of a motor vehicle to the above related party and was based on terms mutually agreed between the parties involved.

(c) The emoluments of the directors of the Company (representing the key management personnel) during the years ended 31 March 2019 and 2018 are disclosed in note 9.

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**–***	–*
Current assets		
Other receivables and prepayments	**327**	356
Amounts due from subsidiaries	**86,710**	76,305
Bank balances	**1,271**	14,473
	88,308	91,134
Total assets	**88,308**	91,134
EQUITY		
Capital and reserves		
Share capital	**40,000**	40,000
Reserves	**48,002**	50,797
Total equity	**88,002**	90,797
LIABILITIES		
Current liabilities		
Accruals	**306**	337
Total liabilities	**306**	337
Total equity and liabilities	**88,308**	91,134
Net current assets	**88,002**	90,797
Total assets less current liabilities	**88,002**	90,797

* *Represent — amount less than HK$1,000*

The Company's statement of financial position were approved and authorised for issue by the board of directors on 28 June 2019 and signed on its behalf by:

Mr. Wong Yan Hung
Director

Mr. Wong Tony Yee Pong
Director

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2017	56,625	(2)	(2,484)	54,139
Loss and total comprehensive expense for the year	–	–	(3,342)	(3,342)
As at 31 March 2018	56,625	(2)	(5,826)	50,797
Loss and total comprehensive expense for the year	–	–	(2,795)	(2,795)
As at 31 March 2019	**56,625**	**(2)**	**(8,621)**	**48,002**

Summary of Financial Information

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

RESULTS

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**231,531**	131,781	218,648	192,154	166,510
Direct costs	**(235,802)**	(106,247)	(167,403)	(146,465)	(124,659)
Gross (loss)/profit	**(4,271)**	25,534	51,245	45,689	41,851
Other income, other gains and losses	**678**	2,287	1,497	880	804
Administrative and other operating expenses	**(22,519)**	(21,042)	(28,226)	(13,962)	(7,894)
Net impairment losses on financial assets and contract assets	**(38)**	–	–	–	–
Finance costs	**(25)**	(218)	(435)	(283)	(9)
(Loss)/profit before income tax	**(26,175)**	6,561	24,081	32,324	34,752
Income tax credit/(expense)	**1,043**	(999)	(5,923)	(6,771)	(6,542)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company	**(25,132)**	5,562	18,158	25,553	28,210

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**12,431**	19,882	20,557	22,645	12,098
Current assets	**149,254**	165,881	155,962	84,619	69,418
Non-current liabilities	**(856)**	(2,143)	(4,971)	(10,178)	(1,019)
Current liabilities	**(29,892)**	(21,249)	(14,739)	(35,057)	(27,821)
Equity attributable to owners of the Company	**130,937**	162,371	156,809	62,029	52,676