Central Holding Group Co. Ltd.
中環控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1735

Annual Report
2020

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Zhuyun *(Chairman and Chief Executive Officer)*
(appointed as Chairman on 4 October 2019 and as Chief Executive Officer on 30 April 2020)
Mr. Li Menglin *(appointed on 30 April 2020)*
Mr. Zhu Fei *(resigned on 30 April 2020)*
Mr. Ng Chi Bun Benjamin *(resigned on 4 October 2019)*
Ms. Ng Chung Yan May *(resigned on 4 October 2019)*

Non-executive Directors

Mr. Qiao Xiaoge *(appointed on 4 October 2019)*
Mr. Gao Jian *(appointed on 4 October 2019)*
Ms. Zhu Yujuan *(appointed on 4 October 2019)*
Ms. Tsui Kwok Ying *(resigned on 4 October 2019)*

Independent non-executive Directors

Dr. Li David Xianglin *(appointed on 4 October 2019)*
Mr. Wang Wenxing *(appointed on 4 October 2019)*
Dr. Zhou Chunsheng *(appointed on 4 October 2019)*
Mr. Yau Chung Hang *(resigned on 4 October 2019)*
Mr. Pong Kam Keung *(resigned on 4 October 2019)*
Mr. Lo Ki Chiu *(resigned on 4 October 2019)*

AUDIT COMMITTEE

Mr. Wang Wenxing *(Chairperson)*
Mr. Qiao Xiaoge
Dr. Li David Xianglin

REMUNERATION COMMITTEE

Dr. Li David Xianglin *(Chairperson)*
Mr. Gao Jian
Dr. Zhou Chunsheng

NOMINATION COMMITTEE

Mr. Yu Zhuyun *(Chairperson)*
Mr. Wang Wenxing
Dr. Zhou Chunsheng

COMPANY SECRETARY

Ms. Li Sin Ching, *ACIS, ACS*
(appointed on 29 November 2019)
Mr. Shoom Chin Wan, *FCPA, ACIS, CTA*
(resigned on 29 November 2019)

AUTHORISED REPRESENTATIVES

Mr. Yu Zhuyun *(appointed on 30 April 2020)*
Ms. Li Sin Ching *(appointed on 29 November 2019)*
Mr. Zhu Fei *(resigned on 30 April 2020)*
Mr. Shoom Chin Wan *(resigned on 29 November 2019)*

REGISTERED OFFICE IN CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office 5509, 55th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

COMPANY WEBSITE

www.chghk.com

STOCK CODE

1735

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Central Holding Group Co. Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), I would like to present to our shareholders (the "Shareholders") the annual report of the Group for the year ended 31 March 2020 (the "Reporting Year").

It was a difficult and challenging year for the Group. The Group's performance was vulnerable to various external factors, such as the Government's investment in infrastructure and property construction projects, tight labour supply and increase in costs of labour and raw materials in Hong Kong. Revenue decreased by approximately 9.4%, from approximately HK$199.2 million for the year ended 31 March 2019 (the "Previous Reporting Year") to approximately HK$180.4 million for the Reporting Year. Gross profit decreased by 10.6% from approximately HK$8.0 million for the Previous Reporting Year to approximately HK$7.1 million for the Reporting Year. This caused the Group to record a net loss of approximately HK$12.7 million for the Reporting Year as compared to a net loss of approximately HK$10.8 million for the Previous Reporting Year. The Group's business performance for the Reporting Year is further explained in the section headed "Management Discussion and Analysis" in this annual report.

In October 2019, Central Culture Resource Group Limited ("Central Culture") became the new controlling Shareholder. With the strong support and resources from Central Culture, while the Group remains committed to developing its existing principal business, it is also planning to explore in a diverse range of related businesses, such as real estate development, commercial property leasing, environmentally friendly construction, cultural and creative business, smart logistics and trade development, as well as health and wellness business in the People's Republic of China (the "PRC"). The Group believes in turning challenges into opportunities and it is envisaged that the Group will, by leveraging the experience and resources of Central Culture, be able to broaden the scope, scale and geographic coverage of its operations and bring favourable growth and rewards to the Company and the Shareholders in the medium and long term.

In October 2019, the Group acquired the state-owned land use rights of a land parcel located in Quzhou City, Zhejiang Province, the PRC (the "Acquisition"). The Group considers that the Acquisition represents an opportunity for the Group to engage in property development and related businesses in the PRC and to diversify its business portfolio and strengthen its revenue base.

Despite the slow-down of the overall growth in the global economy, the overall PRC economy showed a stable and healthy development momentum. Looking ahead, the Group will continue to seek new property and construction related businesses and investment opportunities in the PRC. The Group will apply a more prudent approach in project selection and cost control to maintain our competitiveness in the industry. The Group will continue to strive for sustainable income and balanced growth, and achieve sustainable gains for our Shareholders. We will keep reviewing the working capital level on an on-going basis in order to achieve our objectives and, at the same time, be mindful of the regulatory reporting and compliance requirements.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders, customers, business associates and subcontractors for your continuous support. I would also like to send my warmest thanks to all our management and staff members for your hard work and dedication during the Reporting Year.

YU Zhuyun
Chairman
Hong Kong, 29 May 2020

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a contractor in Hong Kong undertaking (i) foundation works which include piling works, excavation and lateral support works, and pile cap construction; (ii) superstructure works which include building works in relation to the parts of the structure above the ground level; and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, alteration and addition works and fitting-out works. In addition, the Group is engaged in property development, investment business, logistics business and information technology development in the PRC. The majority of the Group's revenue for the Reporting Year was derived from construction work contracts.

The shares of the Company (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing") on 29 March 2018 (the "Listing Date").

As at 31 March 2020, we had eight contracts on hand with a total original contract value of approximately HK$383.1 million. As at 31 March 2019, we had six contracts on hand with a total original contract value of approximately HK$336.8 million.

The Directors are of the view that the business environment in which the Group operates becomes tough and the Group's gross profit and gross profit margin will continue to be under pressure from low bidding price on the tenders, which will in turn affect the business performance of the Group. It is anticipated that, Mr. Yu Zhuyun, the new ultimate controlling Shareholder, will leverage his personal background and management experience in various industries, including real estate development, commercial property leasing, environmentally friendly construction, cultural and creative industries, smart logistics and trade development, as well as health and wellness industries in the PRC, to explore related business opportunities in the future. The Group is confident in maintaining its competitiveness and the Directors will continue to closely monitor the market development and industry conditions.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Year amounted to approximately HK$180.4 million, representing a decrease of approximately 9.4% from approximately HK$199.2 million for the Previous Reporting Year. Such decline was mainly attributable to the temporary disruption of the Company's construction projects in the second half of the Reporting Year as a result of the outbreak of COVID-19 in Hong Kong.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Year amounted to approximately HK$7.1 million, representing a decrease of approximately 10.6% as compared to the Previous Reporting Year. The decrease was mainly due to the decrease in revenue as a result of the outbreak of COVID-19 and the increase in direct cost associated with the unexpected complexity arising from the Group's construction works at Austin Avenue and Carpenter Road, Hong Kong (the "Construction Works") during the Reporting Year. The complexity of the Construction Works involved, among others, (i) the discovery of additional underground utilities; and (ii) additional requirements in excavation and lateral support planning. As a result, the Construction Works have been prolonged and/or varied and the Group's direct cost increased. The Group's gross profit margin for the Reporting Year remained stable at approximately 4.0% as compared with approximately 4.0% for the Previous Reporting Year.

Other Income and Net Gains

The Group's other income and net gains for the Reporting Year amounted to approximately HK$4.3 million, representing an increase of approximately 187.5% from approximately HK$1.5 million for the Previous Reporting Year. The increase was mainly attributable to the machinery rental income of approximately HK$3.9 million during the Reporting Year.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Reporting Year amounted to approximately HK$27.4 million, representing an increase of approximately 45.2% from approximately HK$18.9 million for the Previous Reporting Year. The increase was mainly due to the professional fees relating to the unconditional mandatory cash offer and the costs for the recruitment of new staff during the Reporting Year.

Income Tax Expense

The Group's income tax expense increased by approximately 48.2% from approximately HK$1.4 million for the Previous Reporting Year to approximately HK$2.1 million for the Reporting Year. Such increase was mainly due to the deferred tax expenses on capital gains of investment property of approximately HK$1.6 million. However, such increase was partially offset by the decrease in gross profit for the Reporting Year.

Net Loss

As a result of the aforesaid, and in particular the decrease in gross profit, the Group reported a net loss for the Reporting Year of approximately HK$12.7 million as compared with a net loss of approximately HK$10.8 million for the Previous Reporting Year.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

Non-Hong Kong Financial Reporting Standards ("HKFRS") measures are to supplement the Group's financial results which are presented in accordance with HKFRS. EBITDA is used as an additional financial measure. The Group believes that non-HKFRS measures provide useful information to investors and others to understand and evaluate the Group's consolidated results for the purpose of comparison across accounting periods and with those of our peer companies.

The following table sets forth the Group's non-HKFRS financial data for the Reporting Year and the Previous Reporting Year:

	2020 **HK$'000**	2019 HK$'000
Loss for the year	**(12,687)**	(10,814)
Interest income	**(190)**	(1,222)
Finance costs	**18**	–
Taxation	**2,137**	1,442
Depreciation	**2,974**	937
EBITDA	**(7,748)**	(9,657)

EBITDA for the Reporting Year amounted to a loss of approximately HK$7.7 million, representing a decrease of 19.8% as compared with a loss of approximately HK$9.7 million for the Previous Reporting Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Reporting Year, the Group funded its liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities.

As at 31 March 2020, the Group had cash and bank balances of approximately HK$114.5 million (31 March 2019: approximately HK$62.6 million). The increase was mainly due to (i) the change of controlling Shareholder; and (ii) the unsecured and interest-free loan from related companies which are controlled by the controlling Shareholder during the Reporting Year.

As at 31 March 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK$2.6 million and HK$158.1 million, respectively (31 March 2019: approximately HK$2.6 million and HK$170.9 million, respectively).

The current ratio decreased from 7.0 times as at 31 March 2019 to 2.1 times as at 31 March 2020 mainly due to the increase in amounts due to related companies during the Reporting Year.

Foreign Exchange Risk

The Group mainly operates in Hong Kong and has commenced new operations in the PRC in 2019. Accordingly, all operating transactions and revenue are settled in Hong Kong dollars and Renminbi, subjecting the Group to foreign exchange risk. The Group has actively taken various measures to manage foreign exchange risk since 2019.

Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associates Companies

On 30 October 2019, the Group acquired the state-owned land use rights of a land parcel located in Quzhou City, Zhejiang Province, the PRC at a consideration of RMB18,210,000 (equivalent to approximately HK$20,225,483). The balance of the consideration of the Acquisition was fully settled on 19 December 2019. Please refer to the announcements of the Company dated 31 October 2019 and 19 December 2019 for details of the Acquisition.

Save as disclosed hereinabove, during the Reporting Year, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

EMPLOYEES

The Group had 64 employees (including full-time and casual employees who are paid on a daily basis) as at 31 March 2020 (31 March 2019: 42). Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave for the Reporting Year amounted to approximately HK$25.2 million (the Previous Reporting Year: approximately HK$24.0 million). The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and job training programs, salary increment and discretionary bonuses may be awarded to employees upon approval by the Board according to the Group's operating results, individual performance and market situation.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 March 2020 and 31 March 2019.

CONTINGENT LIABILITIES

Our subsidiaries are involved in a number of potential claims relating to employees' compensation cases and personal injuries claims as well as summonses for safety-related incidents in the ordinary course of business. The Directors considered that the possibility of any outflow in settling (i) the potential personal injuries claims was remote as these claims were well covered by insurance; and (ii) the summonses will be insignificant to the business of the Group. Accordingly, no provision for the contingent liabilities in respect of the potential personal injuries claims and the summonses is necessary after due consideration of each case.

USE OF PROCEEDS FROM THE LISTING

The Shares have been listed on the Main Board of the Stock Exchange since 29 March 2018. The total net proceeds (the "Net Proceeds") from the initial public offering amounted to approximately HK$73.5 million. The Net Proceeds were applied by the Group in accordance with the disclosure set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 19 March 2018 (the "Prospectus"). The below table sets out the planned use of the Net Proceeds, the actual use of the Net Proceeds from the Listing Date and up to 31 March 2020 and the unused amount of the Net Proceeds as at 31 March 2020:

	Planned use of the Net Proceeds HK$'000	Actual use of the Net Proceeds from the Listing Date and up to 31 March 2020 HK$'000	Unused amount of the Net Proceeds as at 31 March 2020 HK$'000
Hiring of additional staff	11,600	3,602	7,998
Acquisition of additional machinery and equipment	54,900	8,760	46,140
General working capital	7,000	7,000	–
Total	**73,500**	**19,362**	**54,138**

The Net Proceeds that were not applied immediately have been placed in the short-term demand deposits with licensed banks in Hong Kong as at the date of this report.

SIGNIFICANT EVENTS

On 8 August 2019, Profound Contractors Limited ("Profound Contractors"), being the then controlling Shareholder, entered into a sale and purchase agreement with, among others, Central Culture, pursuant to which Profound Contractors agreed to sell and Central Culture agreed to purchase 198,000,000 Shares, representing 75% of the total issued share capital of the Company. Upon completion of the sale and purchase on 12 August 2019, Central Culture, its ultimate beneficial owner and parties acting in concert with any of them became interested in 198,000,000 Shares, representing 75% of the total issued share capital of the Company. Please refer to the paragraph headed "Change of Controlling Shareholder" in the Directors' Report in this annual report for further details.

CHANGE OF COMPANY NAMES

With effect from 25 October 2019, the Company's English name has been changed from "Wang Yang Holdings Limited" to "Central Holding Group Co. Ltd.", and its dual foreign name in Chinese has been changed from "泓盈控股有限公司" to "中環控股集團有限公司". The change of company name is to reflect the change of control of the Company as described in the paragraph headed "Significant Events" above and will provide the Company with a new corporate image and identity.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Reporting Year (the Previous Reporting Year: nil).

EVENTS AFTER THE REPORTING YEAR

Save as disclosed in Note 35 to the Consolidated Financial Statements, there was no significant event after the Reporting Year and up to the date of this report.

FUTURE PLANS AND PROSPECTS

The Group considers the prospects of the PRC market promising. To further diversify the Group's source of income and to leverage the synergic advantages and resources of Central Culture, the Group is aiming to further expand its construction business in the PRC and explore in a diverse range of related businesses in the PRC, such as real estate development, commercial property leasing, environmentally friendly construction, cultural and creative business, smart logistics and trade development, as well as health and wellness business.

The Group believes that the future development of upstream and downstream related businesses will bring synergy, effectiveness and greater customer satisfaction, as well as strengthen the revenue base of the Group. The Group will continue to review its business operation from time to time and adjust it accordingly to meet the Group's current and future business strategies.

Biographies of Directors and Senior Management

Biographical details of the Directors and Senior Management are set out as follows:

EXECUTIVE DIRECTORS

Mr. Yu Zhuyun (余竹雲), aged 46, has been an executive Director and the chairman of the Board (the "Chairman") since October 2019, and was appointed as the chief executive officer (the "CEO") in April 2020. Mr. Yu is an entrepreneur with over 15 years of experience primarily in the property development and investment industry in the PRC. He founded Anhui Central Holding Group Co., Ltd.* (安徽中環控股集團有限公司) ("Anhui Central") in 2004, which has now developed into a diversified enterprise engaging in a variety of businesses, including real estate development, commercial property leasing, environmentally friendly construction, cultural and creative business, smart logistics and trade development, as well as health and wellness business in the PRC. He is currently serving as the chairman of the board of directors of Anhui Central.

Mr. Yu is a standing committee member of the All-China Youth Federation (中華全國青年聯合會), a council member of the China Society for Promotion of the Guangcai Program (中國光彩事業促進會), a council member of the China Young Volunteers Association (中國青年志願者協會), a standing council member of the China Mergers & Acquisitions Association (中國併購公會), the vice president of the Anhui Federation of Industry and Commerce (安徽省工商業聯合會), a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省委員會), the vice president of the Anhui Youth Federation (安徽省青年聯合會), a standing council member of the Anhui Overseas Friendship Association (安徽省海外聯誼會), and the honorary president of the Anhui Federation of Overseas Chinese Entrepreneurs (安徽省僑商聯合會).

Mr. Yu obtained a Master of Business Administration from Hong Kong Baptist University in November 2007. He further obtained an Executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2013.

Mr. Li Menglin (李夢琳), aged 63, has been an executive Director since April 2020. Mr. Li has extensive experience in the banking and financial services sectors in the PRC. During the period from April 1998 to September 2017, he held various senior positions at the Anhui provincial branch of the Industrial and Commercial Bank of China, including the president of Anqing branch, chief of the education department, chief manager of real estate financing department, head of stock reform office, chief manager of company services II department, and manager and senior manager of small-sized enterprises financing department. From September 2017 to July 2019, he served as the chairman of the board and the president of Anhui Xin'an Bank* (安徽新安銀行), and has been serving as a consultant of Anhui Xin'an Bank since June 2019.

Mr. Li received the awards of Model Individual in Consumer Credits Management Works of 2005* (2005年度中國工商銀行消費信貸管理工作先進個人), Annual Excellent Performance by the Anhui Provincial Branch of the Industrial and Commercial Bank of China* (中國工商銀行省行本部年度考核優秀等次) in 2007, 2013 and 2015 and Model Worker in the Innovative Work in the Finance Sector in Anhui Province of 2010* (2010年度安徽省金融創新工作先進個人).

Mr. Li obtained a Bachelor of Economics in Finance awarded by Anhui University of Finance and Economics in July 1982. He was awarded a Master of Business Administration (International) by the University of Hong Kong in December 2003 in the IMBA Programme co-organised by the University of Hong Kong and Fudan University (復旦大學) in the PRC.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Qiao Xiaoge (喬曉戈), aged 52, has been a non-executive Director since October 2019. Mr. Qiao is experienced in the field of real estate development and construction. During the period from March 2000 to November 2003, he served as a deputy general manager of the predecessor company of Wanda Commercial Properties (Group) Co., Ltd. (萬達商業地產(集團)有限公司), a private property developer. He then served as a vice president of Sunac Huabei Development Group Co., Ltd.* (融創華北發展集團有限公司), a company principally engaged in real estate development and commercial property leasing, from January 2004 to June 2006. He has been serving as the president of Anhui Central since August 2011.

Mr. Qiao graduated from Hefei University (合肥學院) in the PRC in July 1991.

Mr. Gao Jian (高劍), aged 52, has been a non-executive Director since October 2019. Mr. Gao is experienced in the field of real estate development and construction. He served as the director of the human resources department of Wanda Group (萬達集團), a private property developer, from June 2001 to March 2005, and an assistant to the president of Tianjin Sunac Group (天津融創集團) from April 2005 to June 2007. He has been serving as a vice president of Anhui Central since June 2015.

Mr. Gao obtained a Master of Laws from Peking University (北京大學) in the PRC in July 2000.

Ms. Zhu Yujuan (朱玉娟), aged 40, has been a non-executive Director since October 2019. Ms. Zhu joined Anhui Central in February 2009. She had served in various positions in Anhui Central, including general manager of the administrative and human resources management center and assistant to the president. She is currently serving as a vice president of Anhui Central.

Ms. Zhu graduated from Hefei University of Technology (合肥工業大學) and the Institute of Psychology of the Chinese Academy of Sciences (中國科學院心理研究所) in the PRC in January 2009 and February 2011, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Li David Xianglin (李祥林), aged 57, has been an independent non-executive Director since October 2019. Dr. Li is currently a professor of finance at the Shanghai Advanced Institute of Finance (高級金融學院), an associate dean, the director of the risk management center (風險管理研究中心) and the director of the FinTech Research Center (金融科技研究中心) of the Chinese Academy of Financial Research (中國金融研究院), and a co-director of the Master of Finance program in Shanghai Jiao Tong University (中國上海交通大學) in the PRC. Prior to joining Shanghai Jiao Tong University (中國上海交通大學), he had served in leading financial institutions for more than two decades. He was the head of global credit derivatives research of Citigroup from October 2001 to June 2004, the head of quantitative analysis of credit derivatives of Barclays Capital from June 2004 to April 2008, the chief risk officer of China International Capital Corporation Limited from May 2008 to January 2012, the director of senior management and the head of modeling for AIG Investments from January 2012 to March 2016, and the senior vice president of investment and the person-in-charge of the risk analytics and methodology department of Prudential Financial, Inc. from March 2016 to December 2017.

Dr. Li obtained a Master of Business Administration from Laval University in Canada in May 1991. He further obtained a Master of Mathematics (Actuarial Science) and a Doctor of Philosophy (Statistics) from the University of Waterloo in Canada in May 1992 and October 1995, respectively.

Biographies of Directors and Senior Management

Mr. Wang Wenxing (王文星), aged 50, has been an independent non-executive Director since October 2019. Mr. Wang is currently serving as a senior tax consultant of Triangle Accounting Limited and an international tax consultant of Mind & Sun Partners in Shanghai. He has also been serving as a senior partner, the chief accountant and the quality control director of Anthony Chen CPA, PLLC since February 2009. During the period from May 1995 to March 2003, he served as a project manager in the Guangzhou Branch of the China Council for the Promotion of International Trade (中國國際貿易促進委員會廣州市分會) (also known as the Guangzhou Chamber of Commerce of the China International Chamber of Commerce (中國國際商會廣州市商會)). He was the chief tax accountant of the high net value business department of AIA China from April 2015 to June 2017.

Mr. Wang obtained a Master of Science from the City University of New York in the United States in February 2008. He has been enrolled to practice before the Internal Revenue Service of the Department of the Treasury of the United States since November 2010.

Dr. Zhou Chunsheng (周春生), aged 54, has been an independent non-executive Director since October 2019. Dr. Zhou is currently a professor of Cheung Kong Graduate School of Business (長江商學院) in the PRC. He is an independent non-executive director of Pine Technology Holdings Limited, a company listed on the Stock Exchange (stock code: 1079), an independent non-executive director of Transfar Zhilian Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002010), a director of Nanda Automation Technology Jiangsu Co., Ltd, a company then listed on the National Equities Exchange and Quotations Co., Ltd. (stock code: 834876), and an independent non-executive director of Kunwu Jiuding Investment Holdings Co., Limited, a company listed on the Shanghai Stock Exchange (stock code: 600053). He has also been a director of Guanghua Tiancheng Investments Co., Ltd. since March 2007, and an independent non-executive director of Hua Chuang Securities Brokerage Co., Ltd. and China Southern Fund Management Co., Ltd. since June 2007.

Dr. Zhou served as an independent non-executive director of Zhonghong Holdings Co., Limited, a company then listed on the Shenzhen Stock Exchange (stock code: 000979), from May 2008 to April 2020, an independent non-executive director of China ITS (Holdings) Co., Ltd., a company listed on the Stock Exchange (stock code: 1900), from September 2008 to June 2018, an independent non-executive director of Green Leader Holdings Group Limited, a company listed on the Stock Exchange (stock code: 61), from June 2013 to August 2019, an independent non-executive director of Guosheng Financial Holding Inc., a company listed on the Shenzhen Stock Exchange (stock code: 002670), from July 2015 to April 2020, and an independent director of Leshan City Commercial Bank from August 2012 to January 2019.

Dr. Zhou was an economist of the U.S. Federal Reserve Board from April 1995 to September 1997, where he was responsible for the analysis, control and management of financial risks, an assistant professor at the University of California (Riverside) from September 1997 to April 2001, an associate professor of the Business School of the University of Hong Kong from July 2000 to July 2001, a commissioner of the Development and Strategy Committee of the China Securities Regulatory Commission (中國證券監督管理及規劃委員會委員) from April 2001 to December 2001, and a finance professor of the Guanghua School of Management at Peking University (北京大學) from July 2001 to December 2006.

Dr. Zhou obtained a Master of Science from Peking University (北京大學) in the PRC in July 1988, and a Doctor of Economics from Princeton University in the United States in May 1995.

SENIOR MANAGEMENT

Ms. Lo Man Kwan (盧敏君), aged 42, is the human resources and administration manager of the Group. She is primarily responsible for human resources and administrative matters of the Group, including supervising the daily operations of the administrative department, overseeing the hiring and training of staff members, improving the administrative system, and developing as well as reviewing the employment policies.

Ms. Lo was employed by Kings Consulting Services Limited to work as an administrator officer and a secretary of operational management department at China Development Bank Hong Kong Branch from June 2012 to January 2017 and as a legal secretary in China Development Bank International Holding Limited from January 2017 to January 2018. She then served as a secretary and subsequently as a senior administrative assistant in K. Wah Management Services Limited from January 2018 to April 2019. She joined the Group in October 2019.

Ms. Lo obtained a Master of Business Administration from Fudan University (復旦大學) in the PRC in June 2017.

COMPANY SECRETARY

Ms. Li Sin Ching (李蒨菁) was appointed as the company secretary of the Company (the "Company Secretary") on 29 November 2019. She is a manager of Corporate Services of Tricor Services Limited, Asia's leading business expansion specialist specializing in integrated business, corporate and investor services. Ms. Li has over eight years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as private and offshore companies. Ms. Li is currently the company secretary of International Alliance Financial Leasing Co., Ltd., a company listed on the Stock Exchange (stock code: 1563). Ms. Li is a chartered secretary and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

English translation of names in Chinese which is marked with "" in this annual report is for identification purposes only.*

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Reporting Year (the "Financial Statements").

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands with limited liability on 29 March 2017. The Company completed the corporate reorganisation (the "Reorganisation") on 8 March 2018 in preparation for the listing of the Shares on the Main Board of the Stock Exchange, pursuant to which the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the section headed "History and Development — Reorganisation" in the Prospectus.

The Company is domiciled in Hong Kong and has a principal place of business at Office 5509, 55th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 12 to the Financial Statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Reporting Year are set out in Note 12 to the Financial Statements.

BUSINESS REVIEW

The business review and outlook of the Group for the Reporting Year are set out in the section headed "Management Discussion and Analysis" in this annual report.

SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 5 to the Financial Statements.

RESULTS

The results of the Group for the Reporting Year and the financial position of the Group as at 31 March 2020 are set out in the Financial Statements on pages 50 to 52 of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the Reporting Year (the Previous Reporting Year: nil).

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the Company will be held on Monday, 3 August 2020. A notice convening the AGM will be issued and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlement to attend and vote at the AGM to be held on Monday, 3 August 2020, the register of members of the Company will be closed from Tuesday, 28 July 2020 to Monday, 3 August 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 July 2020.

KEY RISKS AND UNCERTAINTIES

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

A significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and any significant decrease in the number of projects with major customers may materially and adversely affect its financial condition and operating results

A significant portion of our revenue was derived from a limited number of customers during the Reporting Year. There is no assurance that we will continue to obtain contracts from our major customers, and in the event that we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected. In addition, in the event that our major customers experience any liquidity problem, they may delay or default in their payments to us, in which case our business, financial positions and prospects could be materially and adversely affected.

The Group's revenue mainly relied on successful tenders of foundation works and superstructure building works projects which are not recurrent in nature, and there is no guarantee that its customers will provide it with new business

During the Reporting Year, our revenue was mainly derived from foundation works and superstructure building works projects in Hong Kong which were awarded to us on successful tenders. Our future growth and success will depend on our ability to continue to secure tenders and contract awards. In addition, our business is contract-based and on a non-recurring basis. We secured our foundation works and superstructure building works projects through competitive tender processes. We do not have long-term commitments with our customers and our customers are therefore under no obligation to award projects to us. As such, there is no guarantee that we will be able to secure new business from customers. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

Any failure to accurately estimate the project costs in tenders and/or any delay in completion of projects may lead to cost overruns or even result in losses

The Group's ability to submit tender proposals at a competitive price with adequate profit margin to maintain its profitability depends on various factors. We determine the tender price by taking into account factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirements and capacity, extent of subcontracted works required, relationship with customers and prevailing market conditions. In addition, the Group may be subject to liquidated damages due to delay in completing the projects, calculated on the basis of a fixed sum per day or according to certain mechanism as stipulated under the contract. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or costs overruns, which in turn may materially and adversely affect the Group's financial condition, profitability and liquidity.

Directors' Report

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years, as set out on page 116 of this annual report, are extracted from this annual report and the Prospectus.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in Note 14 to the Financial Statements.

SHARE CAPITAL

The Company's total issued share capital as at 31 March 2020 was 264,000,000 ordinary Shares of HK$0.01 per Share.

The Company did not issue any Shares during the Reporting Year. Details of movements during the Reporting Year in the share capital of the Company are set out in Note 23 to the Financial Statements.

DEBENTURES

The Company did not issue any debenture during the Reporting Year.

RESERVES

Details of movements in the reserves of the Group during the Reporting Year are set out in the consolidated statement of changes in equity on page 53 of this annual report.

As at 31 March 2020, the Company had reserves amounting to approximately HK$54 million available for distribution (31 March 2019: approximately HK$64 million).

DIRECTORS

The Directors who held office during the Reporting Year and up to the date of this annual report are:

Executive Directors
Mr. Yu Zhuyun *(Chairman and Chief Executive Officer)*
(appointed as Chairman on 4 October 2019 and as Chief Executive Officer on 30 April 2020)
Mr. Li Menglin *(appointed on 30 April 2020)*
Mr. Zhu Fei *(resigned on 30 April 2020)*
Mr. Ng Chi Bun Benjamin *(resigned on 4 October 2019)*
Ms. Ng Chung Yan May *(resigned on 4 October 2019)*

Non-executive Directors
Mr. Qiao Xiaoge *(appointed on 4 October 2019)*
Mr. Gao Jian *(appointed on 4 October 2019)*
Ms. Zhu Yujuan *(appointed on 4 October 2019)*
Ms. Tsui Kwok Ying *(resigned on 4 October 2019)*

Independent non-executive Directors
Dr. Li David Xianglin *(appointed on 4 October 2019)*
Mr. Wang Wenxing *(appointed on 4 October 2019)*
Dr. Zhou Chunsheng *(appointed on 4 October 2019)*
Mr. Yau Chung Hang *(resigned on 4 October 2019)*
Mr. Pong Kam Keung *(resigned on 4 October 2019)*
Mr. Lo Ki Chiu *(resigned on 4 October 2019)*

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

DIRECTORS' SERVICE CONTRACT

Each of the Directors has entered into an appointment contract with the Company for a term of three years, subject to retirement by rotation at the AGM, and each of them shall be eligible for re-election in accordance with the amended and restated articles of association of the Company (the "Restated Articles").

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

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers the independent non-executive Directors to be independent pursuant to Rule 3.13 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than the appointment contracts and employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2020, the interest and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, notified to the Company and the Stock Exchange were as follow:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of issued share capital
Mr. Yu Zhuyun	Interest in controlled corporation *(Note)*	198,000,000	75%

Note: These 198,000,000 Shares are held by Central Culture Resource Group Limited, which is wholly owned by Mr. Yu Zhuyun. Pursuant to a share charge dated 8 August 2019, Central Culture Resource Group Limited has charged 198,000,000 Shares in favour of Huatai Financial Holdings (Hong Kong) Limited. The number of Shares charged to Huatai Financial Holdings (Hong Kong) Limited was reduced to 190,080,000 Shares on 9 January 2020.

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

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares held/ interested	Percentage of issued share capital
Mr. Yu Zhuyun	Central Culture Resource Group Limited *(Note)*	Beneficial owner	50,000	100%

Note: Pursuant to a share charge dated 8 August 2019, Mr. Yu Zhuyun has charged all the issued shares of Central Culture Resource Group Limited in favour of Huatai Financial Holdings (Hong Kong) Limited.

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

As at 31 March 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to the Section 336 of the SFO, or which would directly or indirectly amount to 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of issued share capital
Central Culture Resource Group Limited *(Note)*	Beneficial Interest	198,000,000	75%

Note: Central Culture Resource Group Limited is wholly owned by Mr. Yu Zhuyun. Pursuant to a share charge dated 8 August 2019, Central Culture Resource Group Limited has charged 198,000,000 Shares in favour of Huatai Financial Holdings (Hong Kong) Limited. The number of Shares charged to Huatai Financial Holdings (Hong Kong) Limited was reduced to 190,080,000 Shares on 9 January 2020.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any person or corporation (other than the Directors and the chief executives) who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests in Securities" above and the paragraph headed "Share Option Scheme" below, at no time during the Reporting Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holdings company, or and any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors, or their respective spouse of children under 18 years of age, to acquire such rights by means of the acquisition of Shares in or debentures of the Company of any other body corporate.

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

Save as disclosed in the paragraphs headed "Connected Transactions" and "Change of Controlling Shareholder" below and in Note 32 to the Financial Statements, there was no transaction, arrangement or contract of significance, to which the Company or any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, whether directly and indirectly, subsisting as at 31 March 2020 or any time during the Reporting Year, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

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

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

MAJOR SUPPLIERS AND CUSTOMERS

For the Reporting Year, the aggregate purchase attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 14.4% and 52.2%, respectively, of the Group's total purchases for the Reporting Year (the Previous Reporting Year: approximately 10.2% and 42.6%, respectively). For the Reporting Year, revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 29.6% and 79.6% respectively, of the Group's total revenue for the Reporting Year (the Previous Reporting Year: approximately 34.3% and 88.2%, respectively).

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group recognizes employees as its valuable assets. The Group provides competitive remuneration packages to attract, motivate and retain appropriate and suitable personnel. The Group has also adopted an annual review system to assess the performance of its staff, which forms the basis of the Group's decisions with respect to salary increment and promotions.

Customers

The Group has maintained long-standing business relationship with the majority of its five largest customers. The Group endeavors to accommodate its customers' demands to the extent its resources allow in order to capture more opportunities for larger scale projects in the future.

Suppliers and subcontractors

The Group has an approved list of suppliers and selects suppliers from the list based on the quality of products or services, timeliness of delivery, experience of and length of partnership with suppliers, competitiveness of pricing and reputation of suppliers.

Subject to the Group's capacity and resource level and depending on the types of construction works as well as cost effectiveness and complexity of the projects, the Group may subcontract certain works to other subcontractors. The Group maintains an internal list of approved subcontractors and selects them based on their experience, quality of works, timeliness of completion for past projects, reputation in the industry, past performances, pricing and the Group's relationship with them.

ENVIRONMENTAL POLICIES

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

In order to comply with the applicable environmental protection laws, we have implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001 since November 2010. Apart from complying with the environmental protection policies formulated by our customers, we have established an environmental management policy to ensure proper management of environmental matters and compliance with environmental laws and regulations by both our employees and workers of our subcontractors on, among others, air pollution control, noise pollution control and waste disposal. During the Reporting Year, we did not incur any material costs on environmental compliance.

CHANGE OF CONTROLLING SHAREHOLDER

On 8 August 2019, Profound Contractors, being the then controlling Shareholder, entered into a sale and purchase agreement with, among others, Central Culture, pursuant to which Profound Contractors agreed to sell and Central Culture agreed to purchase 198,000,000 Shares, representing 75% of the total issued share capital of the Company, at a consideration of HK$420,000,000, which was determined after arm's length negotiation between Profound Contractors and Central Culture. Upon completion of the sale and purchase on 12 August 2019, Central Culture, its ultimate beneficial owner and parties acting in concert with any of them became interested in 198,000,000 Shares, representing 75% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, Central Culture made a mandatory unconditional cash offer (the "Offer") for all the issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it (the "Offer Shares"). The Offer, as made, was unconditional in all respects and the principal terms were set out in the joint announcement published by Central Culture and the Company dated 16 August 2019.

The Offer was closed at 4:00 p.m. on 4 October 2019 (the "Offer Date") and was not revised or extended by Central Culture. As at 4:00 p.m. on the Offer Date, being the latest time and date for acceptance of the Offer, Central Culture had not received any valid acceptances in respect of the Offer Shares under the Offer. Immediately upon the close of the Offer, taking into account that there was no valid acceptance in respect of the Offer Shares, Central Culture and parties acting in concert with it remain to be interested in an aggregate of 198,000,000 Shares, representing 75% of the total issued share capital of the Company.

Please refer to the joint announcement issued by Central Culture and the Company dated 16 August 2019, the composite offer and response document jointly issued by Central Culture and the Company dated 13 September 2019 and the joint announcement issued by Central Culture and the Company dated 4 October 2019 for further details.

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 had maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Reporting Year and up to the date of this annual report.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Reporting Year and up to the date of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Reporting Year and up to the date of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in Note 32 to the Financial Statements. The related party transactions which constitute connected transactions under the Listing Rules are set out in the paragraph headed "Connected Transactions" below. These connected transactions have complied with the requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

One-off Connected Transactions

During the Reporting Year, the Group had not entered into any non-exempt one-off connected transactions which were subject to the reporting, annual review, announcement and/or independent Shareholders' approval requirements under the Listing Rules.

Continuing Connected Transactions

During the Reporting Year, the Group had entered into the following continuing connected transactions which were fully exempted from independent Shareholders' approval, annual review and all disclosure requirements of Chapter 14A of the Listing Rules.

Wise Trend Engineering Limited ("Wise Trend Engineering"), a wholly-owned subsidiary of the Company, as tenant has entered into a tenancy agreement (the "Tenancy Agreement") with Top Wealthy Limited ("Top Wealthy") as landlord in relation to the office premises situated at Office E and Office F on 7th Floor, King Palace Plaza, No. 55 King Yip Street, Kowloon, Hong Kong, for a term of two years commencing from 25 March 2018 and ending on 24 March 2020 at a monthly rent of HK$49,925. The monthly rent was arrived at after arm's length negotiations between Wise Trend Engineering and Top Wealthy with reference to the prevailing market rent of the surrounding comparable office premises in the vicinity of the office premises.

Top Wealthy is a company incorporated in Hong Kong on 23 August 2002 with limited liability and is principally engaged in property investment. It is owned as to (i) 62.5% by Ms. Tsui Kwok Ying, a then controlling Shareholder and a then non-executive Director; (ii) 25% by Ms. Tang Shuk Ngar Elli (the spouse of Mr. Ng Chi Bun Benjamin, a then controlling Shareholder and a then executive Director); and (iii) 12.5% by Ms. Ng Chung Yan May, a then controlling Shareholder and a then executive Director. As Ms. Tsui Kwok Ying, Mr. Ng Chi Bun Benjamin and Ms. Ng Chung Yan May have ceased to be controlling Shareholders since 12 August 2019 and have resigned as Directors with effect from 4 October 2019, the transactions contemplated under the Tenancy Agreement no longer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company confirmed that it had complied with the relevant requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Tenancy Agreement during the period when such transactions constituted connected transactions under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties (as defined under the Listing Rules); and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole Shareholder on 13 March 2018, the Company adopted a share option scheme (the "Share Option Scheme") with effect from 13 March 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group, and to promote the business of the Group. As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 26,400,000 Shares, representing 10% of the entire issued share capital of the Company. No share option had been granted, exercised, cancelled or lapsed since the effective date of the Share Option Scheme and up to the date of this annual report. Details of the Share Option Scheme are set out in Note 24 to the Financial Statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements that (i) will or may result in the Company issuing Shares; or (ii) will require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Reporting Year or subsisted at the end of the Reporting Year.

PRE-EMPTIVE RIGHTS

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

RELIEF FROM TAXATION

The Directors are not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 9 to the Financial Statements.

The emoluments of the Directors and senior management of the Group are determined by the remuneration committee of the Company (the "Remuneration Committee") with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the Reporting Year.

Directors' Report

EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted the Share Option Scheme as an incentive to eligible employees, details of which are set out in the paragraph headed "Share Option Scheme" above.

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance, the results of the Group and comparable market practices.

CORPORATE GOVERNANCE

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

DISCLOSURES UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

As at 31 March 2020, the Group had no circumstances which would give rise to a disclosure obligation under Rule 13.20 to 13.22 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited Financial Statements for the Reporting Year.

AUDITORS

HLB Hodgson Impey Cheng Limited acted as the auditor of the Group for the Reporting Year. The Financial Statements have been audited by HLB Hodgson Impey Cheng Limited, which shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for its re-appointment as the auditor for the coming year will be proposed at the forthcoming AGM. There has been no change in auditors since the Listing Date.

By order of the Board

Yu Zhuyun
Chairman and Executive Director

Hong Kong, 29 May 2020

Corporate Governance Report

The Board is committed to high standard of corporate governance with a view to safeguarding the interests of the Shareholders and achieving accountability as the Group recognises the importance of maximising Shareholders' value through effective corporate governance procedures.

CORPORATE GOVERNANCE CODE

The Company had applied the principles of and complied with all the applicable code provisions (the "Code Provisions") as set out under the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules during the Reporting Year and up to the date of this annual report, with the exception of Code Provision A.2.1 of the CG Code. The Directors will periodically review the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

Mr. Yu Zhuyun was appointed as the CEO with effect from 30 April 2020, and is currently serving as both the Chairman and the CEO. Such practice deviates from Code Provision A.2.1 of the CG Code. The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group's business strategies and enhance its operational efficiency. The Board is currently comprised of two executive Directors, three non-executive Directors and three independent non-executive Directors, which is appropriately structured to ensure that there is a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders. Therefore, the Board considers that the deviation from Code Provision A.2.1 of the CG Code is appropriate in such circumstance.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for Directors' securities transactions. In response to specific enquires by the Company, all Directors have confirmed that they had fully complied with the requirements set out in the Model Code during the Reporting Year and up to the date of this annual report.

The senior management and staff have been individually notified and advised about the Model Code by the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the appropriate corporate governance practices applicable to the Company's circumstances and ensuring processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to Directors and the Company's employees; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code. As at the date of this annual report, the Board had reviewed and monitored (a) the Company's corporate governance policies and practices; (b) training and continuous professional development of Directors and senior management; (c) the Company's policies and practices on compliance with legal and regulatory requirements; (d) the Company's code of conduct; and (e) the Company's compliance with the disclosure requirements under the CG Code.

The Company has arranged appropriate insurance coverage on the liabilities of the Directors in respect of any legal actions taken against the Directors arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Directors' Training and Professional Development

All Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure their compliance with these requirements and enhance their awareness of good corporate governance. All Directors and employees of the Group are encouraged to attend relevant training courses to keep abreast of the latest market and regulatory changes and developments. The Board may seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to assist and ensure that the Directors can duly discharge their duties.

In compliance with Code Provision A.6.5 of the CG Code, the Company has allocated and provided funding to all Directors to participate in continuous professional development organized in the form of seminars and in house training and/or relevant reading materials on the latest development of applicable laws, the Listing Rules and corporate governance practices.

All Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code. During the Reporting Year, each of the Directors had participated in continuous professional development by attending seminars, courses or conferences and by reading related materials to develop and refresh their knowledge and skills.

THE BOARD

Role and Function

The Board is responsible for the overall leadership of the Group. It oversees the Group's strategic decisions and monitors its business and performance. The Board has delegated the authority and responsibility for day-to-day management and operations of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the nomination committee (the "Nomination Committee") and the Remuneration Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of references. Further details of the Board Committees are set out in the paragraph headed "Board Committees" below.

Composition

As at the date of this annual report, the Board was chaired by Mr. Yu Zhuyun and comprised eight members, including two executive Directors, three non-executive Director and three independent non-executive Directors. The list of Directors is set out in the Directors' Report in this annual report.

There is a balance of skills and experience within the Board, which is appropriate for the requirements of the business of the Company. Biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this annual report. The Directors have no financial, business, family or other material or relevant relationship with each other.

Board Diversity Policy

The Board has adopted a board diversity policy (the"Board Diversity Policy"), with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, culture 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, with due regard to the benefits of diversity on the Board. The Board Diversity Policy is reviewed annually by the Nomination Committee to ensure effectiveness, and revisions will be made with the approval from the Board where appropriate.

Independent Non-executive Directors

During the Reporting Year, the Company had three independent non-executive Directors representing more than one-third of the Board, which is in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules. Mr. Wang Wenxing is the independent non-executive Director with appropriate professional qualifications and accounting or related financial management expertise. No less than one third of the Directors are subject to retirement by rotation at each AGM in accordance with the Restated Articles.

The independent non-executive Directors are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the independent non-executive Directors brings his/her own relevant expertise to the Board and its deliberations. None of the independent non-executive Directors has any business or financial interests in the Group nor any relationship with other Directors.

The Company has received a written annual confirmation from each independent non-executive Director of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

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

Appointment, Re-election and Removal of Directors

The Company has established the Nomination Committee on 13 March 2018. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and made recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group.

Each of the executive, non-executive and independent non-executive Directors has entered into a contract for appointment with the Company for a term of three years and is subject to the termination provisions therein and the provisions on retirement by rotation of Directors as set out in the Restated Articles.

According to the Restated Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next AGM or, in the case of an addition to their number, until the next AGM who shall then be eligible for re-election at such general meeting. Every Director is appointed for a specific term and is subject to retirement by rotation at least once every three years.

In accordance with Article 108(a) of the Restated Articles, at each AGM, at least one third of the Directors for the time being, or, if the number is not three or a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") on 31 December 2018 which sets out the criteria and process in the nomination and appointment of Directors, and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company as well as the Board's continuity and appropriate leadership. The Nomination Committee shall identify candidates who are qualified or suitable to become members of the Board and make a recommendation to the Board on the selection of candidates nominated for directorships. The selection of candidates will be based on a range of selection criteria as set out in the Nomination Policy, including but not limited to, character and integrity, qualification, potential contributions the candidate can bring to the Board in terms of qualifications, skill, experience and gender diversity, the candidate's willingness and ability to devote adequate time to discharge his/her duties as a member of the Board.

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

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

The Nomination Committee shall review the structure, size, composition and diversity of the Board at least annually to ensure that it has a balance of expertise, skills and experience and diversity of perspectives appropriate for the business of the Company.

Board Meetings

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times per year. The Board meets regularly to formulate the Group's overall strategies as well as discuss the Group's operation and financial performance. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. During the Reporting Year, there were six board meetings and one general meeting. The attendance record of each member of the Board of the board meetings and the general meeting is set out below:

Name of Director	Meetings attended/ number of general meetings	Meetings attended/ number of Board meetings
Executive Directors		
Mr. Yu Zhuyun *(Chairman and Chief Executive Officer)* (1)	0/1	4/6(5)
Mr. Li Menglin (2)	0/1	0/6
Mr. Zhu Fei (1)(3)	0/1	4/6
Mr. Ng Chi Bun Benjamin (4)	1/1	2/6
Ms. Ng Chung Yan May (4)	1/1	2/6
Non-executive Directors		
Mr. Qiao Xiaoge (1)	0/1	4/6
Mr. Gao Jian (1)	0/1	4/6
Ms. Zhu Yujuan (1)	0/1	4/6
Ms. Tsui Kwok Ying (4)	1/1	2/6
Independent non-executive Directors		
Dr. Li David Xianglin (1)	0/1	4/6(5)
Mr. Wang Wenxing (1)	0/1	4/6(5)
Dr. Zhou Chunsheng (1)	0/1	4/6(5)
Mr. Yau Chung Hang (4)	0/1	0/6
Mr. Pong Kam Keung (4)	1/1	2/6
Mr. Lo Ki Chiu (4)	1/1	2/6

Notes:

(1) Appointed on 4 October 2019

(2) Appointed on 30 April 2020

(3) Resigned on 30 April 2020

(4) Resigned on 4 October 2019

(5) Including a meeting held by the Chairman with the independent non-executive Directors without the presence of other Directors

Access to Information

The Directors may, at the Company's expenses, seek independent professional advice in appropriate circumstances. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to the Group's operational and financial performance before each Board meeting. Where any of the Directors requires more information than is volunteered by the senior management, each Director has the right to separately and independently access the Company's senior management for further enquiries if necessary.

BOARD COMMITTEES

In accordance with the Restated Articles and the Listing Rules, the Board has established Board Committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with defined terms of reference relating to their respective authorities and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange, and are available to Shareholders upon request.

Audit Committee

The Company established the Audit Committee on 13 March 2018 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference (which have been revised and adopted by the Board on 31 December 2018) in compliance with the CG Code.

The Audit Committee consists of three members, namely Mr. Wang Wenxing, Mr. Qiao Xiaoge and Dr. Li David Xianglin. Mr. Wang Wenxing currently serves as the chairperson of the Audit Committee.

The primary responsibilities of the Audit Committee include: (i) to make recommendations to the Board on the appointment, reappointment and removal of external auditors; (ii) to review and monitor the external auditors' independence and objectivity; (iii) to review the effectiveness of the Company's internal audit activities, internal controls and risk management systems; (iv) to develop and implement policy on engaging external auditors to supply non-audit services, and to review and monitor the extent of the non-audit works undertaken by external auditors; and (v) to monitor the integrity of the financial statements, the annual reports and accounts and half-year reports and to review significant financial reporting judgments contained in them.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

During the Reporting Year, the Audit Committee held two meetings to review the annual and interim financial results of the Group for submission to the Board for approval, review the internal control and risk management systems of the Group, oversee the audit process and make recommendations on the re-appointment of the external auditors. During the Reporting Year and up to the date of this annual report, there had been no disagreement between the Board and the Audit Committee.

The attendance record of each member of the Audit Committee during the Reporting Year is set out below:

Audit Committee	Meeting(s) attended/ Eligible to attend
Mr. Wang Wenxing *(Chairperson)* (1)	1/2
Mr. Qiao Xiaoge (1)	1/2
Dr. Li David Xianglin (1)	1/2
Mr. Yau Chung Hang (2)	1/2
Mr. Pong Kam Keung (2)	1/2
Mr. Lo Ki Chiu (2)	1/2

Notes:

(1) Appointed on 4 October 2019

(2) Resigned on 4 October 2019

Nomination Committee

The Company established the Nomination Committee on 13 March 2018 with written terms of reference (which have been revised and adopted by the Board on 31 December 2018) in compliance with the CG Code. The Nomination Committee consists of three members, namely Mr. Yu Zhuyun, Mr. Wang Wenxing and Dr. Zhou Chunsheng. Mr. Yu Zhuyun currently serves as the chairperson of the Nomination Committee.

The primary responsibilities of the Nomination Committee include: (i) to review the structure, size, composition and diversity of the Board in accordance with the Board Diversity Policy at least annually; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and (v) to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or senior management.

The Nomination Committee held two meetings during the Reporting Year to review the structure, size and composition of the Board in accordance with the Board Diversity Policy, assess the independence of the independent non-executive Directors and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming AGM.

The attendance record of each member of the Nomination Committee during the Reporting Year is set out below:

Nomination Committee	Meeting(s) attended/ Eligible to attend
Mr. Yu Zhuyun *(Chairperson)* (1)	1/2
Mr. Wang Wenxing (1)	1/2
Dr. Zhou Chunsheng (1)	1/2
Ms. Tsui Kwok Ying (2)	1/2
Mr. Yau Chung Hang (2)	1/2
Mr. Lo Ki Chiu (2)	1/2

Notes:

(1) Appointed on 4 October 2019

(2) Resigned on 4 October 2019

Remuneration Committee

The Company established the Remuneration Committee on 13 March 2018 in compliance with Rule 3.25 of the Listing Rules with written terms of reference (which has been revised and adopted by the Board on 31 December 2018) in compliance with the CG Code. The Remuneration Committee consists of three members, namely Dr. Li David Xianglin, Mr. Gao Jian and Dr. Zhou Chunsheng. Dr. Li David Xianglin currently serves as the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee include: (i) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) to make recommendation to the Board on the remuneration of independent non-executive Directors; (iii) to review and make recommendations to the Board on other remuneration-related matters, including benefits-in-kinds and the compensation payable to the Directors and senior management; (iv) to review performance-based remuneration and to establish a formal and transparent procedure for developing policies in relation to remuneration; and (v) to consider the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries.

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

The remuneration of the Group's senior management during the Reporting Year is listed below by band:

Band of remuneration	**No. of person(s)**
Up to HK$1,000,000	1

Further details of the remuneration of the Directors and the five highest paid employees is set out in Note 9 to the Financial Statements.

During the Reporting Year, the Remuneration Committee held three meetings to review the performance and remuneration packages of individual Directors and senior management.

The attendance record of each member of the Remuneration Committee during the Reporting Year is set out below:

Remuneration Committee	**Meeting(s) attended/ Eligible to attend**
Dr. Li David Xianglin *(Chairperson)* (1)	2/3
Mr. Gao Jian (1)	2/3
Dr. Zhou Chunsheng (1)	2/3
Mr. Pong Kam Keung (2)	1/3
Mr. Yau Chung Hang (2)	1/3
Mr. Ng Chi Bun Benjamin (2)	1/3

Notes:

(1) Appointed on 4 October 2019

(2) Resigned on 4 October 2019

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment and re-election of our Company's external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company.

For the Reporting Year, the remuneration paid/payable to the external auditor, HLB Hodgson Impey Cheng Limited, in respect of its audit services and non-audit services was approximately HK$1,600,000 and HK$570,000, respectively.

COMPANY SECRETARY

Ms. Li Sin Ching ("Ms. Li") of Tricor Services Limited ("Tricor"), our external service provider of company secretarial services, has been appointed as the Company Secretary in replacement of Mr. Shoom Chin Wan with effect from 29 November 2019. Details of the aforementioned change of secretaries are set out in the Company's announcement dated 29 November 2019. During the Reporting Year, Ms. Li had taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. The biography of Ms. Li is set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

Tricor's primary contact person at the Company is Mr. Yu Zhuyun, an executive Director.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility in relation to the preparation of the Financial Statements and seek to ensure that the Financial Statements are prepared in a manner which give a true and fair view of the state of affairs of the Group as a going concern and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure requirements under the Listing Rules. In presenting the Financial Statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the position and prospects of the Group. The Directors are of the view that the Financial Statements were prepared on this basis. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Group regarding their reporting responsibilities on the Financial Statements is set out in the Independent Auditors' Report in this annual report.

DIVIDEND POLICY

The Company has established a dividend policy (the "Dividend Policy") on 31 December 2018 with an aim to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

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

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

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

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

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

(f) the Group's liquidity position;

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

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

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

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. The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate the implementation of coordinated mitigating measures. The risk management and internal control systems are compatible with the principles in the Committee of Sponsoring Organisations of Treadway Commission (COSO) — Integrated Framework 2013, which are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business. Each division is responsible for identifying and assessing principal risks within itself and establishing mitigation plans to manage the risks identified. The senior management is responsible for overseeing the Group's risk management and internal control activities, attending meetings with each division to ensure principal risks are properly managed, and new risks are identified and documented. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The Group does not have an internal audit department. The Group has conducted an annual review on whether there is a need for such an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. The Board has put in place adequate measures to perform the internal audit function for different aspects of the Group. 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 Group has adopted a policy on disclosure of insider information with the aim to ensure that the insiders are abiding by the confidentiality requirements and are fulfilling the disclosure obligations of the inside information.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

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

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

The forthcoming AGM of the Company will be held on Monday, 3 August 2020. The notice of the AGM, setting out the details of each proposed resolution, voting procedures and other relevant information, will be sent to the Shareholders at least 21 days or 20 clear business days (whichever period is longer) before the AGM.

SHAREHOLDER'S RIGHTS

Procedures for Convening General Meetings by Shareholders

The Company's general meeting provides an opportunity for communication between the Shareholders and the Board. In accordance with Article 72 of the Restated Articles, at any general meeting, a resolution put to the vote of the meeting shall be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution be voted by a show of hands. The chairman will explain such rights and procedures during the AGM before voting on the resolutions.

Pursuant to Article 64 of the Restated Articles, Shareholders can make a requisition to convene an extraordinary general meeting (the "EGM"). The procedure of the Shareholders to convene an EGM are as follows:

1. any one or more shareholders (the "Requisitionist") 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 shall have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and

2. 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' Meetings

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

Shareholders are welcomed to suggest proposals relating to the operations, strategies and/or management of the Group at Shareholders' meetings. Proposals shall be sent by written requisition of his/her proposal (the "Proposal") together with his/her detailed contact information to the Board or the Company Secretary at the Company's principal place of business in Hong Kong as set out in the section headed "Corporation Information" in this annual report.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

— at least 21 days' or 20 clear business days' (whichever period is longer) notice in writing if the Proposal requires approval by way of resolution in an AGM; and

— at least 14 days' or 10 clear business days' (whichever period is longer) notice in writing if the Proposal requires approval in any EGM.

Procedures by which enquiries may be put to the Board

For matters in relation to the Board, Shareholders may send their enquiries and concerns to the Board by addressing them to the Board or the Company Secretary by mail to the Company's principal place of business in Hong Kong set out in the section headed "Corporation Information" in this annual report.

For share registration related matters, such as share transfers and registrations, change of name or address, loss of share certificates or dividends warrants, the registered Shareholder can contact:

Branch Share Registrar and Transfer Office in Hong Kong
Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong
Tel: (852) 2153-1688
Fax: (852) 3020-5058

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

Save as disclosed in the Company's announcement dated 4 October 2019, there had been no significant changes in the constitutional documents of the Company during the Reporting Year.

ABOUT THIS REPORT

This report highlights the initiatives and efforts of the Group in fulfilling its commitment to sustainable development and corporate social responsibility in the course of its business. During the Reporting Year, the Group was engaged as a contractor in Hong Kong undertaking (i) foundation works, which include piling works, excavation and lateral support works, and pile cap construction; (ii) superstructure works, which include building works in relation to the parts of the structure above ground level; and (iii) other construction works, such as demolition, site-formation, ground-investigation, minor-job, hoarding, alteration and addition works, as well as fitting-out works. In addition, the Group is engaged in property development, investment business, logistics business and information technology development in the PRC.

During the Reporting Year, the Board supervised the Group's strategies, policies and reports on sustainable development, monitored the Group's continuous compliance with relevant laws and regulations, and sought to improve the Group's operation by improving the efficiency of its business operations and resource utilisation, and by taking environmental protection measures to improve the Group's performance in the sustainable development arena.

REPORTING SCOPE AND STANDARDS

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. The information in this Environmental, Social and Governance Report is based on the Group's official documents and statistical data, as well as on an integration and summary of monitoring, management and operational information provided by its subsidiaries. The corporate governance practices of the Group are set out in the Corporate Governance Report from pages 24 to 35 of this annual report.

MATERIALITY ASSESSMENT

The on-going dialogues with our stakeholders assist us in identifying whether the Group has any material sustainability issues. We will continue to identify areas for improvement and stay in close communication with stakeholders to further enhance our environmental, social and governance management. With the identified areas of improvement, we aim to holistically integrate our values and corporate responsibility commitments into our business model and corporate culture, which will in turn support our growth in the long run.

PROTECTING THE ENVIRONMENT

Given the nature of our business, our operations inevitably cause air and noise pollution. We are committed to promoting sustainability in terms of both business development and impact on the environment. We embrace principles and practices that help promote a sustainable future, by introducing environmentally friendly business practices, raising employee awareness of environmental protection and complying with the relevant environmental laws and regulations.

In addition, BEAM Plus eco-friendly certification has been implemented in some of our projects, according to our customers' requirements. Recognised and certified by the Hong Kong Green Building Council, BEAM Plus offers a comprehensive set of performance criteria for a wide range of sustainability issues relating to the planning, design, construction, commissioning, management, operation and maintenance of a building. By providing a fair and objective assessment of a building's overall performance throughout its life cycle, BEAM Plus enables us to demonstrate our commitment to sustainable development.

We have also established an environmental management system accredited with ISO 14001:2015 standard certification by the Hong Kong Quality Assurance Agency ("HKQAA"). To meet the ISO 14001:2015 requirements and BEAM Plus standards, the Group has developed environmental management policies and procedures to improve its ability to efficiently identify, minimise, prevent and manage environmental impact as it arises, thereby reducing the associated risks.

EMISSIONS

As the Group is principally engaged in the construction industry, it is inevitable that our operational activities generate greenhouse gases ("GHG"), noise, waste and effluents. To minimise these impacts, the Group implements industry-standard measures and continues to seek practical means of mitigation in our operations.

Construction materials such as sand and cement stored outdoors as well as dust from exposed construction areas are easily scattered in dry and windy weather. To mitigate the impact, all dusty stockpiled materials are covered with tarpaulin or fabric sheets, and the area is watered properly or enclosed with dust screens where dust-generating activities take place.

In accordance with the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Cap. 311Z, Laws of Hong Kong), all our machineries used on site are approved or exempted by the Environmental Protection Department of Hong Kong.

For the Reporting Year, air emissions generated by the Group were as follows:

	Unit	**2019/20**	2018/19
Emissions data from Vehicles			
Nitrogen Oxide (NO_x)	kg	**72.58**	71.79
Sulphur Oxide (SO_x)	kg	**0.21**	0.37
Particulate Matter (PM)	kg	**6.63**	6.57

For the Reporting Year, the Group's GHG emissions were as follows:

		Unit	**2019/20**	2018/19
Direct emission (Scope 1)				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO_2)	tonne	**34.82**	59.82
	Methane (CH_4)	kg	**55.43**	60.00
	Nitrous oxide (N_2O)	tonne	**3.81**	4.00
Energy indirect emissions (Scope 2)				
Electricity purchased from power companies	Carbon Dioxide (CO_2)	tonne	**58.00**	47.51
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	Carbon Dioxide (CO_2)	tonne	**5.60**	5.58
Electricity used for processing fresh water and sewage by government department	Carbon Dioxide (CO_2)	tonne	**2.06**	1.97

WASTE MANAGEMENT

Since we are engaged in the provision of construction services, it is expected that our operating activities (i.e. site-formation works, foundation works and building construction and superstructure works) will generate significant amounts of construction and demolition materials ("C&D materials"). C&D materials consist of general inert and non-inert waste. Over 90% of construction waste is inert, including rubble, earth and concrete, and is suitable for land reclamation and site formation. Non-inert substances include bamboo, timber, vegetation, packaging waste and other organic materials. Non-inert waste is not suitable for land reclamation nor reusable or recyclable, and is disposed of at landfills.

Under the Group's current practices, construction waste is sorted and segregated into inert waste and non-inert waste at our project sites. Recyclable inert waste is used as sub-base for access roads and footpaths. If applicable, excavated soil is used for backfilling to minimise the quantity of waste disposal. Unsuitable inert waste is disposed of at the public fill reception facilities operated by the Civil Engineering and Development Department of Hong Kong.

Suitable facilities have also been provided at the Group's head office to encourage employees to sort and recycle wastes to achieve the objective of reducing wastes. Examples include setting up designated areas to collect used papers, plastic bottles and cans for recycling and arranging for an authorised recycling company to collect toner cartridges. The Group maintains high standards in waste reduction, educates its employees in the significance of sustainable development and provides relevant support to enhance their skills and knowledge in sustainable development.

For the Reporting Year, the amount of non-hazardous waste produced by the Group was as follows:

	Unit	**2019/20**	2018/19
Total construction waste	tonne	**20,629.20**	15,447.60
Construction waste intensity	tonne/construction site	**1,146.07**	617.90

Given the nature of our business of foundation, superstructure and other construction works, no significant hazardous waste was generated from our operations during the Reporting Year.

USE OF RESOURCES

The Group's major use of resources includes energy and water consumption. Both offices and project sites consume electricity and fuel. Electricity consumption mainly comes from office use, while fuel consumption is mostly involved with equipment operation and ground transportation during delivery.

The Group understands that every procedure in construction work has the potential to cause adverse environmental impact. The management is in constant pursuit of green solutions. Great emphasis has been put on efficient consumption by stepping up maintenance of construction equipment and optimising operational standards. A variety of energy conservation and pollution reduction measures have also been implemented in offices and construction sites, as follows:

Office
- Setting and maintaining average room temperatures at 24–26°C;
- Switching office equipment (e.g. printers, computers and monitors) to sleep mode when they are idle;
- Installing energy-friendly electrical appliances and devices, including LED lighting and computers;
- Giving priority in purchasing electrical appliances to those with energy efficient labelling (i.e. Grade 1 — the most energy efficient in the market); and
- Dividing lighting systems into small zones, enabling a more flexible approach towards energy saving.

Site
- Switching off non-essential lighting as well as idle machinery and equipment;
- Enhancing the maintenance and overhauling procedures to maintain equipment in optimal condition for effective use of energy; and
- Using various communications channels (posters, signs and memos) to promote energy conservation.

We will keep improving the effectiveness of our electrical energy conservation measures, as well as the efficiency of electrical energy consumption in the coming years.

The major source of the Group's water consumption is office operation and construction activities. The Group has various water conservation measures in offices and project sites. We encourage all employees and sub-contractors to develop the habit of consciously conserving water. At construction sites, wastewater is collected and properly treated by onsite wastewater treatment facilities, and then reused for dust suppression and vehicle wheel washing or ground mud. In addition, we regularly assess our utility facilities, and water seepage or leaking pipelines must be repaired or replaced on a timely basis. During the Reporting Year, the Group encountered no issue in sourcing water that is fit for purpose.

For the Reporting Year, the Group's electricity and water consumption was as follows:

	Unit	**2019/20**	2018/19
Electricity Consumption	kWh	**104,015.20**	72,919.22
	kWh/employee	**2,889.31**	1,736.17
Water Consumption	m^3	**4,259.20**	3,335.26
	m^3/employee	**118.31**	79.41

During the Reporting Year, the Group's operations did not involve significant use of packaging materials.

ENVIRONMENT AND NATURAL RESOURCES

In compliance with applicable environmental legislation, the Group expects its business operations to have minimal direct impact on the environment and natural resources. We regularly assess the environmental risks of our operations and adopt preventive measures as necessary. For instance, office paper for in-house printing is with Forest Stewardship Council ("FSC") certification. The FSC, a forestry certification system, sets standards for responsible forest management and guarantees that paper comes from a responsibly managed forestry process and supply chain. Documents in electronic format and email transmission are encouraged to reduce paper usage.

With the implementation of the measures mentioned above, the Group believes that it can achieve the objectives of energy conservation, waste reduction and green office promotion. We will continue to look for opportunities to reduce further emissions and waste to minimise the impact on the environment and natural resources caused by our operations.

During the Reporting Year, the Group complied with all relevant environmental laws and regulations in Hong Kong, including but not limited to the Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Cap. 311Z, Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong), Water Pollution Control Ordinance (Cap. 358, Laws of Hong Kong), Noise Control Ordinance (Cap. 400, Laws of Hong Kong), Dumping at Sea Ordinance (Cap. 466, Laws of Hong Kong), Environmental Impact Assessment Ordinance (Cap. 499, Laws of Hong Kong).

During the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and land, and generation of hazardous and non-hazardous waste.

EMPLOYMENT AND LABOUR PRACTICES

The Group places high priority on compliance with the relevant employment and labour laws and regulations in Hong Kong and ensures that employment and labour practices are implemented according to anti-discrimination ordinances and the guidance under the Employment Ordinance (Cap. 57, Laws of Hong Kong), the Minimum Wage Ordinance (Cap. 608, Laws of Hong Kong) and the Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong), as well as industry features and practices. The Group safeguards the legitimate interests of labourers in accordance with the requirements of all applicable laws and regulations, respects the rights of employees to rest and leaves, and regulates their working hours according to their rights to various types of rest times and holidays.

The Group complies strictly with local laws and regulations by adopting a fair, just and open recruitment process and developing rules to eliminate discrimination based on race, gender, colour, age, family status, ethnic tradition, religion, physical fitness or nationality, thus allowing fair treatment in every aspect including recruitment, promotion, dismissal, remuneration, benefits, training and development. Employees are encouraged to report any unlawful discrimination or any form of harassment. The Group investigates cases expeditiously and takes appropriate corrective actions once the allegations have been confirmed.

The Group recognises employees as one of the most valuable assets and its core competitive advantage, and therefore provides employees with good promotion prospects. With the aim of rewarding and motivating employees and assisting them in their career development within the Group, a performance appraisal system has been established to regularly review staff performance and remuneration. With reference to the prevailing market rates, our employees' salaries are reviewed annually based on performance.

Employment contracts are signed between all employees and the Group covering matters such as wages, benefits and grounds for termination. The Group's remuneration policies and benefit plans are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operational results and individual performance.

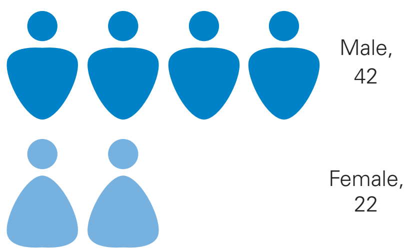
Open communication is an important element in achieving effective workplace management. We believe proper communication with employees can help employees understand the Group's business strategies and future development. All employees are welcome to make comments and suggestions through various communication channels, such as letters, emails and reports to their direct supervisors or department heads. Information, opinions and suggestions gathered are followed up and raised for discussion with senior management.

STAFF COMPOSITION

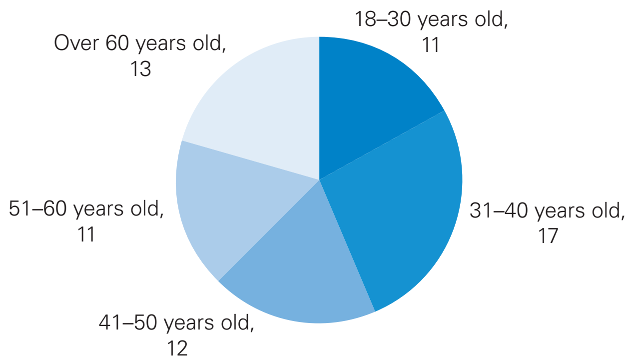
The Group is principally engaged in construction services, which demands physical strength. Hence, traditionally male employees are a majority in the workforce of the construction business. However, the Group is committed to striking a balance between male and female employees in its working environment, and providing equal opportunities for different genders.

As at 31 March 2020, we employed a total of 64 staff, including back office and site staff. Our staff members are located in Hong Kong and the PRC.

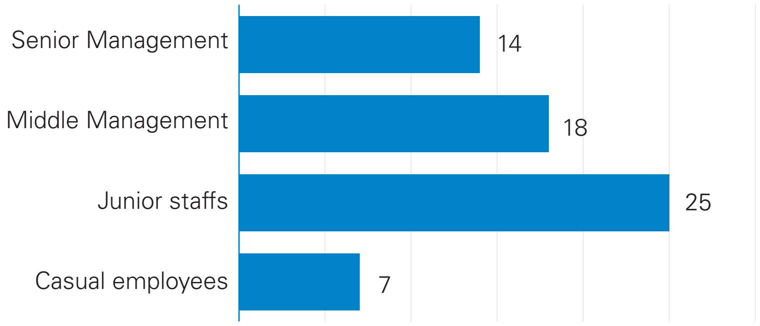
Employees by Gender



Employees by Age Group



Employees by Employment Category



Staff Turnover

During the Reporting Year, the Group had a turnover rate of approximately 13.2%. The employee turnover rate by gender is rather low, with 18.7% for our male staff and none of our female staff leaving the Group.

During the Reporting Year, employee turnover categorised by age was as follows: 33.3% of those in the 18 to 30 years bracket, 10.0% of those in the 31 to 40 bracket, 10.5% of those in the 41 to 50 bracket, 7.4% in the 51 to 60 bracket, and 9.1% of those over 60 years old left the Group.

For the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment or promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination or other benefits and welfare.

HEALTH AND SAFETY

Recognising that construction is one of the higher risk industries in terms of occupational health and safety ("OHS"), we put safety first and are committed to maintaining a workplace which is safe for our employees. The Group seeks to reduce injury risks and occupational diseases by establishing OHS management systems accredited with OHSAS 18001:2007, certified by HKQAA, as well as organising safety trainings for our workforce. At the workplace, sufficient first-aid kits are in place, and regular checking and maintenance of machines, equipment and fire extinguishers are conducted to safeguard employees' health and safety.

As there are machineries and other equipment in the construction sites, employees will be more prone to industrial accidents. Hence, we are determined to ensure that all construction works are carried out in accordance with health and safety standards in construction. The Group aims to provide a safe occupational environment and minimise health and safety risk at our project sites. Warning signs are posted in prominent positions, detailing potential health impact, handling procedures and preventive measures. Personal protective equipment such as safety helmets, safety goggles, safety shoes and reflective clothing are provided and are required for all personnel who work at project sites.

Relevant OHS training is provided to our staff and workers, such as safety induction training, safety toolbox talks, specific training for high-risk activities and periodic contingency drills to heighten employee awareness of workplace hazards and ensure they are competent to discharge their OHS responsibilities and obligations and respond to emergencies. Regular safety inspections of our project sites are carried out by our safety officer to ensure that the Group's existing business operations and working procedures are compliant with health and safety standards. The safety officer regularly reviews and checks for updates of relevant laws, and performs inspections to ensure prompt corrections are made to prevent industrial accidents.

The Group will continue to optimise its work practices and daily management with the aim of creating a safe, healthy and comfortable working environment. To this end, our operations have fully complied with the applicable laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509, Laws of Hong Kong), Employees' Compensation Ordinance (Cap. 282, Laws of Hong Kong) and Factories and Industrial Undertakings Ordinance (Cap. 59, Laws of Hong Kong) during the Reporting Year.

For the Reporting Year, the Group's work injury statistics were as follows:

Work Injury Statistics	Unit	2019/20
Number of work-related fatalities	Number of People	0
Rate of work-related fatalities	Percentage	0
Number of reported accidents (sick leave > 3 days)	Case	4
Lost days due to work injury	Day	719

During the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards.

DEVELOPMENT AND TRAINING

The Group is aware of the value and contribution of its employees, and is willing to invest in and offer training and development courses for them to enhance their capabilities. We are committed to providing career development platforms for our employees where everyone can achieve his/her career goals.

In line with our commitment to providing adequate training opportunities to enhance employees' knowledge and skills, the Group frequently arranges the experienced staff to provide directional advice and guidance to junior staff, and sponsors employees to attend work-related external training programs to enrich their business expertise, competence and skill sets for career development. Such arrangements can enhance communication and team spirit, and also improve their technical skills and managerial capability and encourage employees at all levels to learn and further develop themselves. New recruits receive induction training to help them adapt to the working environment as quickly as possible, and ensure that they have the knowledge and expertise to perform their duties.

The Group also acknowledges the importance of performance appraisal for employees. On an annual basis, performance appraisal is conducted between management and employees for continuous improvement. Employees are able to consult with and seek professional advice from their supervisors on their personal career development training.

LABOUR STANDARDS

The Group highly respects human rights and freedom, and strictly prohibits the use of child and forced labour in our workplace, by adhering to the Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance (Cap. 57, Laws of Hong Kong). Comprehensive recruitment procedures are in place to check and verify the age of applicants before commencement of work. Prior to confirmation of employment, the Group's human resources staff requires job applicants to provide valid identity documents to ensure that applicants are lawfully employable. Important details such as job duties, locations and working hours are also set out clearly in the employment contract to protect employee rights and interests. To comply with the relevant laws and regulations, employment arrangements including working environment, terms of employment, working hours, rest days and holidays are subject to periodic review.

For the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

SUPPLY CHAIN MANAGEMENT

The Group values the partnership with suppliers and sub-contractors and works together with them to promote sustainable development of the industry. The Group has been continuously optimising and improving its supplier management system, regulating access, supervision and evaluation of suppliers and sub-contractors, and constantly increasing specialisation and transparency of supply chain management.

The Group adheres to the principle of openness, fairness and transparency in supplier selection through the implementation of a robust procurement and tendering mechanism, and selects reliable and competent business partners from potential organisations. When selecting suppliers and sub-contractors, the Group evaluates them by considering factors such as their quality of products or services, cost, scale of business and reputation. The Group undertakes regular reviews to ensure that business partners do not cause significant negative impact on the environment and society. If any significant negative environmental or social impact is found, the Group may consider terminating cooperation with them.

As supplier and contractor management is a crucial component of the Group's quality control, the Group stringently manages suppliers and sub-contractors to avoid the procurement of any inferior materials, and adopts strict quality control over the production and construction process. In this regard, the Group maintains a list of approved suppliers and sub-contractors. The Group only selects suppliers and appoints sub-contractors from this approved list, unless individually reviewed and approved by management or specifically requested by clients.

During the Reporting Year, the Group had cooperated with 99 suppliers and all our suppliers were located in Hong Kong. Looking ahead, the Group aims to promote local economic development and reduce carbon footprint by prioritising local suppliers to shorten the distance of transportation. The Group expects its suppliers to maintain sound social responsibility systems on managing environmental and social aspects, including environmental protection, human rights and product responsibility.

PRODUCT RESPONSIBILITY

The Group strives to meet clients' demands and expectations by maintaining high standards of services and product quality. The Group has developed an internal management system and closely monitors its project execution process, with the aim of rendering premium and reliable services to our clients.

The Group has established and implemented a quality management system ("QMS") in its operations, which are in conformity with the internationally recognised ISO 9001:2015 standard, as certified by HKQAA. This system helps us comply with the relevant laws, regulations and contractual obligations applicable to products and services, control quality issues systematically to enhance customers' satisfaction as well as continuously improve quality performance in our operations. The Group also provides adequate training to all levels of employees to raise their awareness of QMS in their areas of responsibility.

To ensure the quality of materials provided by suppliers, inspections are performed by our site agents on material deliveries at project sites. In case of any quality issues, suppliers will provide replacement or exchange services after negotiation. The Group also maintains ongoing communication with its clients to ensure understanding and satisfaction of their demands and expectations, as well as constantly improving its services.

During the Reporting Year, we received no complaints or claims from our customers arising from quality issues in the work performed by either the Group or its sub-contractors, which in the view of the Directors was the result of effective quality control.

In the ordinary course of our business, we get almost no access to the personal information of our clients or confidential information of enterprises. However, we respect the privacy of our clients and maintain a high level of data security and confidentiality. In compliance with the Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong), we ensure that all business data collected from our clients is treated as strictly confidential and properly dealt with by our staff. Our clients' data can only be accessed by designated personnel to protect it against improper disclosure, misuse or unauthorised use, loss, damage or corruption.

Regarding intellectual property, employees are prohibited from using unlicensed computer software on their computers at the workplace. The Group complies with intellectual property rights regulations to protect the interests of the Group and our clients, and requires our suppliers to comply with intellectual property rights regulations to ensure confidentiality and integrity.

For the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

ANTI-CORRUPTION

We believe in fairness and honesty in business and do not tolerate corruption, bribery, money-laundering or other fraudulent activities in connection with any of our business operations. The Group strictly adheres to the relevant regulations and laws, such as the Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615, Laws of Hong Kong).

To prevent any negative social impact associated with corruption, all forms of fraud and corruption, such as bribery, extortion, illegal inducement, offering or accepting disallowed gifts, kickbacks or other disallowed advantages, are strictly prohibited, and all employees of the Group must comply with all the applicable anti-corruption laws and regulations. Related information on anti-money laundering is provided to employees to raise their awareness in this regard.

To facilitate identification of suspected cases of corruption, money laundering and other misconduct, the Group has developed a whistle-blowing policy which encourages disclosure of relevant information via a confidential reporting channel. In the event that employees identify any irregularities, they may report to the relevant senior management. All employees who report in good faith are reasonably protected from retaliation or adverse consequences in their employment regardless of whether the allegation is substantiated. The Group is committed to handling the reports with due care, and to conducting a serious detailed investigation into each reasonably established report. Additionally, the Group is fully aware that it is obligated to refer the matter to the legal enforcement authorities or regulators if deemed necessary.

The tendering process is vital to our business. All tendering documents are kept confidential and restricted to concerned parties only. Tendering must be done in a fair manner to protect the interests of the Group and its clients. Employees responsible for tendering must comply with the Competition Ordinance (Cap. 619, Laws of Hong Kong), and refrain from exchanging or communicating any sensitive information with competitors, participating in price fixing, imposing restrictions on clients or abusing a dominant market position.

During the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud or money laundering.

CONTRIBUTING TO THE COMMUNITY

We endeavour to fulfil corporate social and environmental responsibilities, and to make continuous contributions to the building of a cohesive and caring society. The Group seeks to foster employees' sense of social responsibility, thus encouraging them to participate in charitable activities and devote their spare time to render assistance to the needy. During the Reporting Year, the Directors donated to a variety of non-governmental organisations to support their youth development and elderly care services. In the coming future, we will always seek to be a positive force and maintain close ties with our communities in order to contribute to local development.

Independent Auditors' Report

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 MEMBERS OF CENTRAL HOLDING GROUP CO. LTD.
(FORMERLY KNOWN AS WANG YANG HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Central Holding Group Co. Ltd. (formerly known as Wang Yang Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 115, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 Notes 2.21, 5, 7 and 20 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 procedures included, amongst others: • 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; • Obtaining the certificates issued by customers or payment applications confirmed by internal surveyors to evaluate the reasonableness of progress towards completion of construction works; • 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, but does not include 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.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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 Lo Kin Kei.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 29 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Revenue	5	**180,447**	199,228
Direct costs		**(173,320)**	(191,260)
Gross profit		**7,127**	7,968
Other income and net gains	5	**4,347**	1,512
Gain on fair value changes of investment properties		**5,375**	–
Administrative and other operating expenses		**(27,381)**	(18,852)
Finance costs	6	**(18)**	–
Loss before income tax	7	**(10,550)**	(9,372)
Income tax expense	10	**(2,137)**	(1,442)
Loss for the year		**(12,687)**	(10,814)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations		**(98)**	–
— Change in fair value of debt instrument at fair value through other comprehensive income		**–**	29
— Adjustment for disposal of debt instrument at fair value through other comprehensive income		**–**	7
Other comprehensive (expense)/income for the year, net of tax		**(98)**	36
Total comprehensive expense for the year attributable to owners of the Company		**(12,785)**	(10,778)
		HK Cents	HK Cents
Loss per share attributable to owners of the Company			
— Basic and diluted loss per share	11	**(4.81)**	(4.10)

Details of dividends are disclosed in Note 13 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 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**10,186**	10,533
Right-of-use assets	15	**604**	–
Investment properties	16	**25,717**	–
Intangible assets	17	**3,625**	–
Deposit and prepayment for life insurance policy	18	**3,074**	2,990
		43,206	13,523
Current assets			
Contract assets	20	**62,769**	61,564
Trade and other receivables	21	**52,650**	59,002
Tax recoverable		**1,327**	5,365
Cash and bank balances	22	**114,462**	62,633
		231,208	188,564
Total assets		**274,414**	202,087
EQUITY			
Capital and reserves			
Share capital	23	**2,640**	2,640
Reserves		**158,074**	170,859
Total equity		**160,714**	173,499

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	25	**168**	–
Liabilities for long service payments	26	**876**	753
Deferred tax liabilities	27	**2,602**	1,029
		3,646	1,782
Current liabilities			
Trade and other payables	28	**29,466**	26,806
Lease liabilities	25	**450**	–
Amounts due to related companies	29	**79,719**	–
Tax payables		**419**	–
		110,054	26,806
Total liabilities		**113,700**	28,588
Total equity and liabilities		**274,414**	202,087
Net current assets		**121,154**	161,758
Total assets less current liabilities		**164,360**	175,281

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 May 2020:

Mr. Yu Zhuyun
Director

Mr. Li Menglin
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 2020

	Share capital HK$'000 (Note 23)	Share premium HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance as at 1 April 2018	2,640	88,276	11,010	–	(36)	82,387	184,277
Loss for the year	–	–	–	–	–	(10,814)	(10,814)
Other comprehensive income:							
Change in fair value of debt instrument at fair value through other comprehensive income	–	–	–	–	29	–	29
Adjustment for disposal of debt instrument at fair value through other comprehensive income	–	–	–	–	7	–	7
Balance as at 31 March 2019 and 1 April 2019	2,640	88,276	11,010	–	–	71,573	173,499
Loss for the year	–	–	–	–	–	(12,687)	(12,687)
Other comprehensive expense:							
Exchange differences arising on translation of foreign operations	–	–	–	(98)	–	–	(98)
Balance as at 31 March 2020	2,640	88,276	11,010	(98)	–	58,886	160,714

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash used in operations	30	**(6,007)**	(28,015)
Income tax refunded/(paid)		**3,945**	(6,758)
Net cash used in operating activities		**(2,062)**	(34,773)
Cash flows from investing activities			
Proceeds from disposal of debt instrument at fair value through other comprehensive income		**–**	3,000
Net cash outflow on acquisitions of subsidiaries		**(3,390)**	–
Payments for investment properties		**(20,808)**	–
Interest received		**190**	1,222
Proceeds on disposal of property, plant and equipment		**120**	–
Purchases of property, plant and equipment		**(2,050)**	(9,895)
Net cash used in investing activities		**(25,938)**	(5,673)
Cash flows from financing activities			
Interest paid		**(18)**	–
Increase in amounts due to related companies		**81,691**	–
Principal elements of lease payments		**(291)**	–
Net cash generated from financing activities		**81,382**	–
Net increase/(decrease) in cash and cash equivalents		**53,382**	(40,446)
Cash and cash equivalents at beginning of the year		**62,633**	103,079
Effects of foreign exchange rate changes		**(1,553)**	–
Cash and cash equivalents at end of the year		**114,462**	62,633
Analysis of balances of cash and cash equivalents			
Cash and bank balances	22	**114,462**	62,633

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

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 29 March 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 29 March 2018. As at 31 March 2020, its parent and ultimate holding company is Central Culture Resource Group Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability and wholly-owned by Mr. Yu Zhuyun, the controlling shareholder of the Company.

Pursuant to the special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 24 October 2019, the Company's English name has been changed from "Wang Yang Holdings Limited" to "Central Holding Group Co. Ltd.", and its dual foreign name in Chinese has been changed from "泓盈控股有限公司" to "中環控股集團有限公司". The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 25 October 2019 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 8 November 2019.

The addresses of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the Company's principal place of business in Hong Kong is Office 5509, 55th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the business of (i) foundation works and superstructure building works in Hong Kong; (ii) property development and investment; and (iii) logistics services and information technology development in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, 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 consolidation financial statements 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 Group's accounting policies. 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 Changes in accounting policies and disclosures

(i) New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

(ii) HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessor continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

(ii) HKFRS 16 *Leases* *(Continued)*

As a lessee (Continued)

The following is the reconciliation of operating lease commitments as at 31 March 2019 to the lease liabilities as at 1 April 2019:

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	733
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	(733)
Lease liabilities as at 1 April 2019	–

There was no impact of transition to HKFRS 16 on the retained earnings as at 1 April 2019.

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

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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

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 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRSs*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Principles of consolidation

2.3.1 Subsidiaries

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.

Inter-company 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.

2.3.2 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisitions failed to meet the definition of business combination are treated as acquisitions of assets and liabilities instead of business combination.

Acquisition-related costs are expenses as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

2.3.3 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)*

2.4 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.

2.5 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.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'other income and net gains'.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency transaction differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated 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 is derecognised when replaced. All other repairs and maintenance costs 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 over their estimated useful lives or lease term, where applicable, as follows:

Machinery and equipment	20%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

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 the proceeds with the carrying amount and are recognised in the consolidated statements of profit or loss and other comprehensive income.

2.7 Investment properties

Investment property, principally comprising leasehold land, is held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recognised in the consolidated statement of profit or loss and other comprehensive income within "Gain on fair value changes of investment properties".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

2.8.1 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquirees and the acquisition date fair value of any previous equity interest in the acquirees over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The Group's goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.8.2 Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed 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 flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.1 Classification *(Continued)*

The classification depends on the entity's 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 ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 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.

2.10.3 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 of 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 statement of profit or loss.

- FVOCI: 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 FVOCI. Movements in the carrying amount are taken through OCI, 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 OCI 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 statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.3 Measurement *(Continued)*

Debt instruments (Continued)

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

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 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.

2.10.4 Impairment

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.

2.11 Trade and other 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 and other 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.

2.12 Cash and cash equivalents

In the consolidated statements of cash flows, 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).

2.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if the payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

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 end of the reporting period.

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

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

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 each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax *(Continued)*

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, the deferred tax liabilities are not recognised if it arises from initial recognition of goodwill, the deferred income tax is 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 substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to 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 expenses 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.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits *(Continued)*

(iv) 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.

(v) Long service payments

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees upon the termination of their employment or retirement on ground of old age when the employee fulfils certain conditions and the termination meets the required circumstances. Further, where accrued benefits (excluding any part attributable to the employee's contributions) have been paid to the employee, or is being held in a mandatory provident fund scheme by the employee, which is the case for most of the eligible employees of the Group, the long service payment is offset against the aforementioned amount of benefits to the extent that they relate to the employee's years of service for which the long service payment is payable.

Based on the Group's past experience and the directors' knowledge of the business and work force, the Group makes its estimates of its obligations to make long service payments to its employees in the event of termination of their employment or retirement. The Group's obligations to make such long service payments are recognised in the financial statements as long service payment liabilities at the present value (where the effect of discounting is material) of the long service payment obligations, which are estimated after deducting the entitlements accrued under the Group's defined contribution retirement scheme that are attributable to contributions made by the Group. Service cost, net interest on the long service payment liabilities (where discounting to present value is adopted because the effect of discounting is material) and premeasurements of the long service payment liabilities are recognised in profit or loss.

2.19 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 amounts have been 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Contingent liabilities and contingent 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.

2.21 Revenue from contracts with customers

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

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

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

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

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue from contracts with customers *(Continued)*

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

(i) Foundation works and superstructure building works

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

Output method

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

Variable consideration

For contracts that contain variable consideration (variation order of construction work), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

(ii) Logistic services and information technology development

Revenues from the provision of logistics services and information technology development are recognised when the services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Leases (application from 1 April 2019)

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

The Group leases various office premises and machinery and equipment. Rental contracts are typically made for fixed periods of 12 to 36 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income for operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Leases (application before 1 April 2019)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders or directors, where appropriate.

2.25 Deposit and prepayment for life insurance policy

Life insurance policy that can be terminated at any time is determined by the upfront payments plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. If withdrawal is made, a pre-determined specified amount of surrender charge would be imposed.

2.26 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.

or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Related parties *(Continued)*

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

(i) has control or joint control of the 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 a 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 programmed focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from its financial assets and financial liabilities denominated in foreign currency. The currencies giving rise to this risk are primarily Renminbi and the United States Dollar.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(i) Foreign exchange risk *(Continued)*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Assets		**Liabilities**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Renminbi ("RMB")	**87,669**	–	**83,940**	–
United States Dollar ("US$")	**3,074**	2,990	**–**	–

Sensitivity analysis

If RMB has been appreciated/depreciated 5% against the foreign currency and all other variable were held constant, the Group's post-tax loss for the year ended 31 March 2020 would decrease/increase by approximately HK$262,000 (2019: decrease/increase by nil). No sensitivity analysis is presented for foreign currency fluctuation between US$ against HK$ because HK$ is pegged to US$ and assumed that the rate would not be materially affected by any changes in movement in value of the HK$ against other currencies.

(ii) Interest rate risk

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 is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities. The Group is not exposed is not exposed to significant cash flow interest rate risk. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk

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

In order to minimise the credit risk on trade receivables, contract assets and other receivables and deposits, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. In addition, the Group reviews the recoverable amount of each individual trade receivable, contract assets and other receivables and deposits balance at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the credit risk is significantly reduced.

As at 31 March 2020, there were one (2019: two) customers which individually contributed over 10% of the Group's trade and other receivables. The aggregate amounts of trade and other receivables from these customers amounted to 11% (2019: 44%) of the Group's total trade and other receivables as at 31 March 2020.

The Group considers the probability of default upon initial recognition of 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 forwarding-looking information.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

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

Category	Group definition of category	Basis for recognition of ECL
Performing	There have low risk of default and has not been any significant increase in credit risk since initial recognition	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition	Lifetime ECL — not credit impaired
Default	There is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

Bank balances

The credit risk of bank balances is considered not material as such amounts are placed in reputable banks with high credit rating assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

Other receivables and deposits

As at 31 March 2020 and 2019, the internal credit rating of other receivables and deposits were performing. Management has measured the loss allowances of these financial assets at 12m ECL. The Group uses past due information and forward-looking information to assess whether credit risk has increased significantly since initial recognition.

Trade receivables and contract assets

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been assessed grouped based on shared credit risk characteristics and the days past due. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. The ECL also incorporate forward-looking information such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant changes to the debtor's ability to meet its obligations.

As at 31 March 2020 and 2019, the loss allowance for trade receivables, contract assets and other receivables and deposits were determined as follows:

	Weighted average expected loss rate	Gross carrying amount HK$'000	Expected credit loss HK$'000	Net carrying amount HK$'000
At 31 March 2020				
Trade receivables	**0.02%**	**27,907**	**(5)**	**27,902**
Contract assets	**0.04%**	**62,792**	**(23)**	**62,769**
Other receivables and deposits	**0.3%**	**21,872**	**(60)**	**21,812**
At 31 March 2019				
Trade receivables	0.1%	37,761	(23)	37,738
Contract assets	0.002%	61,565	(1)	61,564
Other receivables and deposits	0.1%	21,162	(23)	21,139

The estimated loss rate 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 effect.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

The movement in the loss allowances for trade receivables, contract assets and other receivables and deposits during the years ended 31 March 2020 and 2019 are as follows:

	Trade receivables Life-time ECL (not credit impaired) HK$'000	Contract assets Life-time ECL (not credit impaired) HK$'000	Other receivables and deposits (12-month ECL) HK$'000
As at 1 April 2018	33	10	–
(Reversal of)/provision for loss allowance recognised in profit or loss during the year	(10)	(9)	23
As at 31 March 2019 and 1 April 2019	**23**	**1**	**23**
(Reversal of)/provision for loss allowance recognised in profit or loss during the year	**(18)**	**22**	**37**
As at 31 March 2020	**5**	**23**	**60**

The creation and release of provision for impaired trade receivables, contract assets and other receivables and deposits have been included in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iv) 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 end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating based on current rates at the end of each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Between one and two years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
At 31 March 2020				
Trade and other payables	**29,466**	**–**	**29,466**	**29,466**
Lease liabilities	**463**	**170**	**633**	**618**
Amounts due to related companies	**79,719**	**–**	**79,719**	**79,719**
	109,648	**170**	**109,818**	**109,803**
At 31 March 2019				
Trade and other payables	26,806	–	26,806	26,806

3. FINANCIAL RISK MANAGEMENT *(Continued)*

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 number 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 debts as at each year end divided by the total equity as at each year end.

The gearing ratios of the Group are as follows:

	2020 **HK$'000**	2019 HK$'000
Debts	**618**	–
Total equity	**160,714**	173,499
Gearing ratio	**0.4%**	N/A

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 March 2020 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial instruments measured at fair value as at 31 March 2020 and 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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 AND NET GAINS AND SEGMENT INFORMATION

Revenue and other income recognised during the years are as follows:

	2020 HK$'000	2019 HK$'000
Revenue		
Foundation works and superstructure building works	**177,801**	199,228
Logistics services and information technology development	**2,646**	–
	180,447	199,228
Other income and net gains		
Interest income	**190**	1,222
Net gains on disposal of property, plant and equipment	**120**	–
Adjustment for disposal of debt instrument at fair value through other comprehensive income	**–**	(7)
Operating lease income — machinery and equipment	**3,875**	–
Sundry income	**162**	297
	4,347	1,512

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

(Continued)

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
Over time	**177,801**	199,228
A point in time	**2,646**	–
	180,447	199,228
Types of services		
Foundation works and superstructure building works	**177,801**	199,228
Logistics services and information technology development	**2,646**	–
	180,447	199,228

Performance obligations for contracts with customers

Foundation works and superstructure building works

The 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 works 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 confirmed by internal surveyor. 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.

Logistics services and information technology development

The performance obligation is satisfied at a point in time when the services is transferred and accepted by the customers.

Transaction price allocated to the remaining performance obligations from contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020 and 2019 and the expected timing of recognising revenue are as follows:

	2020 HK$'000	2019 HK$'000
Provision of foundation works and superstructure building works		
Within one year	**111,240**	131,990
Over one year	**14,129**	–
	125,369	131,990

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION *(Continued)*

Segment information

The Group's operating segments are determined based on information reported to the board of directors of the Company, being the chief operating decision-maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance.

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

(i) Foundation works and superstructure building works — provision of piling works, excavation and lateral support works, and pile cap construction and building works in relation to the parts of the structure above the ground level and other construction works;

(ii) Property development and investment — development and sale of properties and holding of properties for investment and leasing purposes; and

(iii) Others — provision of logistics services and information technology development.

The Group has introduced additional segments of (i) property development and investment; and (ii) others during the year.

Segment revenue and results

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

For the year ended 31 March 2020

	Foundation works and superstructure building works HK$'000	Property development and investment HK$'000	Others HK$'000	Total HK$'000
REVENUE				
Revenue from external customers	177,801	–	2,646	180,447
RESULT				
Segment profit	5,374	5,375	1,753	12,502
Other income and net gains				4,347
Unallocated corporation expenses				(27,381)
Finance costs				(18)
Loss before income tax				(10,550)

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment revenue and results *(Continued)*
For the year ended 31 March 2019

	Foundation works and superstructure building works HK$'000	Property development and investment HK$'000	Others HK$'000	Total HK$'000
REVENUE				
Revenue from external customers	199,228	–	–	199,228
RESULT				
Segment profit	7,968	–	–	7,968
Other income and net gains				1,512
Unallocated corporation expenses				(18,852)
Loss before income tax				(9,372)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit from each segment without allocation of other income and net gains, unallocated corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities

	2020 HK$'000	2019 HK$'000
Segment assets		
Foundation works and superstructure building works	124,087	130,939
Property development and investment	27,912	–
Others	3,080	–
Total segment assets	155,079	130,939
Unallocated corporate assets	119,335	71,148
Consolidated total assets	274,414	202,087
Segment liabilities		
Foundation works and superstructure building works	25,380	25,360
Property development and investment	75,172	–
Others	3,312	–
Total segment liabilities	103,864	25,360
Unallocated corporate liabilities	9,836	1,446
Consolidated total liabilities	113,700	26,806

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than tax recoverable, cash and bank balances and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than deferred tax liabilities, liabilities for long service payments and other unallocated corporate liabilities.

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Other segment information

For the year ended 31 March 2020

	Foundation works and superstructure building works HK$'000	Property development and investment HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	5,432	21,125	1,191	–	27,748
Depreciation of property, plant and equipment	2,652	12	11	–	2,675
Depreciation of right-of-use assets	298	–	1	–	299
Gain on fair value changes of investment properties	–	5,375	–	–	5,375

For the year ended 31 March 2019

	Foundation works and superstructure building works HK$'000	Property development and investment HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	9,895	–	–	–	9,895
Depreciation of property, plant and equipment	937	–	–	–	937

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Geographical information

The Group's operations are located in both Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Hong Kong	**177,801**	199,228	**10,210**	10,533
The PRC	**2,646**	–	**29,922**	–
	180,447	199,228	**40,132**	10,533

Note: Non-current assets excluded deposit and prepayment for life insurance policy.

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer I[1]	**53,390**	68,237
Customer II[1]	**38,661**	63,872
Customer III[1]	**19,669**	N/A[2]
Customer IV[1]	**N/A[2]**	24,877

1 Revenue from foundation works and superstructure building works.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

6. FINANCE COST

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	**18**	–

7. LOSS BEFORE INCOME TAX

Loss before taxation has been arrived at after charging/(crediting):

	2020 HK$'000	2019 HK$'000
Auditors' remuneration	1,600	998
Depreciation of property, plant and equipment	2,675	937
Depreciation of right-of-use assets	299	–
Reversal of impairment losses on trade receivables	(18)	(10)
Provision/(reversal) of impairment losses on contract assets	22	(9)
Provision of impairment losses on other receivables and deposits	37	23
Rental expense from short-term leases	1,759	–
Operating lease rental in respect of:		
— equipment and machinery	–	1,877
— office premise	–	599
— director's quarter (included in director's emoluments)	–	300
— others	–	13
Staff costs (including directors' emoluments) (Note 8)	25,213	23,992

8. EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2020 HK$'000	2019 HK$'000
Directors' emoluments	4,132	4,397
Other staff costs	20,522	19,091
Retirement scheme contributions		
— defined contribution plan, excluding directors	559	504
	25,213	23,992

The Group operates defined contribution schemes 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 funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

The employees of the Group's subsidiaries established in the PRC are required to participate in a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the 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 2020 and 2019 are set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2020					
Executive directors					
— Mr. Yu Zhuyun ("Mr. Yu") (Note (i))	–	300	–	9	309
— Mr. Zhu Fei (Note (ii))	–	680	566	–	1,246
— Mr. Ng Chi Bun Benjamin ("Mr. Benjamin Ng") (Note (iii))	–	1,008	–	18	1,026
— Ms. Ng Chung Yan May ("Ms. May Ng") (Note (iv))	–	450	–	18	468
— Mr. Li Menglin (Note (v))	–	–	–	–	–
Non-executive directors					
— Mr. Qiao Xiaoge ("Mr. Qiao") (Note (vi))	–	49	–	–	49
— Mr. Gao Jian ("Mr. Gao") (Note (vi))	–	49	–	–	49
— Ms. Zhu Yujuan ("Ms. Zhu") (Note (vi))	–	49	–	–	49
— Ms. Tsui Kwok Ying ("Ms. KY Tsui") (Note (iv))	–	300	–	–	300
Independent non-executive directors					
— Dr. Li David Xianglin ("Dr. Li") (Note (vii))	89	–	–	–	89
— Mr. Wang Wenxing ("Mr. Wang") (Note (vii))	89	–	–	–	89
— Dr. Zhou Chunsheng ("Dr. Zhou") (Note (vii))	89	–	–	–	89
— Mr. Yau Chung Hang (Note (viii))	123	–	–	–	123
— Mr. Pong Kam Keung (Note (viii))	123	–	–	–	123
— Mr. Lo Ki Chiu (Note (viii))	123	–	–	–	123
	636	2,885	566	45	4,132

9. BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2019					
Executive directors					
— Mr. Benjamin Ng (Note (iii))	–	2,100	150	36	2,286
— Ms. May Ng (Note (iv))	–	900	75	36	1,011
Non-executive director					
— Ms. KY Tsui (Note (iv))	–	600	50	–	650
Independent non-executive directors					
— Mr. Yau Chung Hang (Note (viii))	150	–	–	–	150
— Mr. Pong Kam Keung (Note (viii))	150	–	–	–	150
— Mr. Lo Ki Chiu (Note (viii))	150	–	–	–	150
	450	3,600	275	72	4,397

The Group has been providing accommodation, which is leased from third party, to Mr. Benjamin Ng for use by his and his family members at no charge. The estimated money value of the benefit in kind is approximately HK$186,000 (2019: approximately HK$300,000).

During the year ended 31 March 2020, 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 (2019: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2020 (2019: Nil).

Notes:

(i) Mr. Yu was appointed as an executive director and the chairman of the board of directors of the Company on 4 October 2019 and subsequently appointed as the chief executive officer of the Company on 30 April 2020.

(ii) Mr. Zhu was appointed as an executive director and the chief executive officer of the Company on 4 October 2019 and resigned as an executive director and the chief executive officer of the Company on 30 April 2020. His emoluments disclosed above including these for services rendered by him as the chief executive officer from 4 October 2019 to 31 March 2020.

(iii) Mr. Benjamin Ng was resigned as an executive director and the chief executive office of the Company on 4 October 2019. He was also director of certain subsidiaries of the Company and/or employees of the Group during the year ended 31 March 2020 and 2019 and the Group paid emoluments to him in his capacity as the directors of these subsidiaries and/or employees of the Group. His emoluments disclosed above including these for services rendered by him as the chief executive officer from 1 April 2019 to 4 October 2019.

9. BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Notes: (Continued)

(iv) Ms. KY Tsui and Ms. May Ng were resigned as non-executive director/executive directors of the Company on 4 October 2019. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the years ended 31 March 2020 and 2019 and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group.

(v) Mr. Li Menglin was appointed as an executive director of the Company on 30 April 2020.

(vi) Mr. Qiao, Mr. Gao and Ms. Zhu were appointed as non-executive directors of the Company on 4 October 2019.

(vii) Dr. Li, Mr. Wang and Dr. Zhou were appointed as an independent non-executive directors of the Company on 4 October 2019.

(viii) Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu were resigned as an independent non-executive directors of the Company on 4 October 2019.

(b) Five highest paid individuals

During the year, the five individuals whose emoluments were the highest in the Group include two (2019: two) directors, whose emoluments are disclosed above. The emoluments paid to the remaining three (2019: three) are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**3,720**	3,480
Discretionary bonuses	**385**	290
Retirement scheme contributions	**36**	36
	4,141	3,806

The emoluments fell within the following bands:

	2020 Number of individuals	2019 Number of individuals
Emolument bands (in HK$)		
Nil–HK$1,000,000	**–**	1
HK$1,000,001–HK$1,500,000	**2**	1
HK$1,500,001–HK$2,000,000	**1**	1

During the year ended 31 March 2020, 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 (2019: Nil).

10. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax		
— Current tax	99	441
— Over-provision in prior year	(6)	(20)
The PRC Enterprise Income Tax		
— Current tax	429	–
Deferred tax (Note 27)	1,615	1,021
Income tax expense	2,137	1,442

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, 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 years ended 31 March 2020 and 2019.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 March 2020.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

10. INCOME TAX EXPENSE *(Continued)*

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

	2020 HK$'000	2019 HK$'000
Loss before income tax	**(10,550)**	(9,372)
Calculated at the statutory tax rate	**(2,313)**	(1,546)
Income tax at concessionary rate	**(92)**	(165)
Income not subject to tax	**(66)**	(195)
Expenses not deductible for tax purposes	**96**	433
Tax concession	**(20)**	(20)
Effect of PRC land appreciation tax	**1,613**	–
Tax losses for which no deferred income tax asset was recognised	**2,925**	2,955
Over-provision in respect of prior year	**(6)**	(20)
Income tax expense	**2,137**	1,442

11. LOSS PER SHARE

The calculation of the basic loss per share of the year ended 31 March 2020 is based on the loss for the year of approximately HK$12,687,000 (2019: approximately HK$10,814,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2020 of 264,000,000 (2019: 264,000,000). No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

12. SUBSIDIARIES

The following is a list of the subsidiaries at 31 March 2020:

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid-up capital/ registered capital	Percentage of interest held **2020**	2019
Steer Vision Limited ("Steer Vision")	BVI, limited liability company	Investment holding	Ordinary share US$1	**100% (direct)**	100% (direct)
Build Wise Limited ("Build Wise")	BVI, limited liability company	Investment holding	Ordinary share US$1	**100% (indirect)**	100% (indirect)
United Prosperous Limited ("United Prosperous")	BVI, limited liability company	Investment holding	Ordinary share US$1	**100% (indirect)**	100% (indirect)
Grand Basework Limited ("Grand Basework")	BVI, limited liability company	Investment holding	Ordinary share US$1	**100% (indirect)**	100% (indirect)

12. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid-up capital/ registered capital	Percentage of interest held 2020	2019
Prosperous Contractors Limited ("Prosperous Contractors")	BVI, limited liability company	Investment holding	Ordinary share US$1	**100% (indirect)**	100% (indirect)
Wise Trend Engineering Limited ("Wise Trend Engineering")	Hong Kong, limited liability company	Business of foundation works and superstructure building works	Ordinary share HK$10,000,000	**100% (indirect)**	100% (indirect)
Wise Trend Construction & Engineering Limited ("Wise Trend Construction & Engineering")	Hong Kong, limited liability company	Handling human resources and related administrative matters of the Group	Ordinary share HK$10,000	**100% (indirect)**	100% (indirect)
Wise Trend Construction Limited ("Wise Trend Construction")	Hong Kong, limited liability company	Business of foundation works and superstructure building works	Ordinary share HK$1,000,000	**100% (indirect)**	100% (indirect)
Top Elite International Investment Limited	BVI, limited liability company	Investment holding	Ordinary share US$50,000	**100% (direct)**	N/A
Myriad Ocean Holdings Limited	BVI, limited liability company	Investment holding	Ordinary share US$50,000	**100% (indirect)**	N/A
Hugeway Group Holdings Limited	Hong Kong, limited liability company	Investment holding	Ordinary share HK$1	**100% (indirect)**	N/A
深圳市鴻欣控股有限公司 Shenzhen Hongxin Holding Co., Ltd*	PRC, limited liability company	Investment holding	Registered capital RMB100,000,000	**100% (indirect)**	N/A
浙江新田鋪農旅開發有限公司 Zhejiang Xintianpu Agricultural Travel Development Ltd*	PRC, limited liability company	Business of property development and investment	Registered capital RMB50,000,000	**100% (indirect)**	N/A
安徽中之環建築工程有限公司 Anhui Zhongzhihuan Construction Engineering Co., Ltd* ("Anhui Zhongzhihuan Construction")	PRC, limited liability company	Business of foundation works and superstructure building works	Registered capital RMB40,000,000	**100% (indirect)**	N/A
合肥廣益鑫貿易有限公司 Hefei Guangyixin Trading Co., Ltd* ("Hefei Guangyixin")	PRC, limited liability company	Trading of commodities	Registered capital RMB50,000,000	**100% (indirect)**	N/A
中環廣利恒(衢州)有色金屬貿易有限公司 Zhonghuan Guangliheng (Quzhou) Non-Ferrous Metal Trading Co., Ltd*	PRC, limited liability company	Inactive	Registered capital RMB50,000,000	**100% (indirect)**	N/A

12. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid-up capital/ registered capital	Percentage of interest held 2020	2019
中環鑫信匯(衢州)貿易有限公司 Zhonghuan Xinxinhui (Quzhou) Trading Co., Ltd*	PRC, limited liability company	Trading of commodities	Registered capital RMB50,000,000	**100% (indirect)**	N/A
中環嘉恒合(衢州)有色金屬貿易有限公司 Zhonghuan Jiahenghe (Quzhou) Non-Ferrous Metal Trading Co., Ltd*	PRC, limited liability company	Inactive	Registered capital RMB50,000,000	**100% (indirect)**	N/A
上海中鎬信息科技有限公司 Shanghai Zhonggao Information Technology Co., Ltd.* ("Shanghai Zhonggao")	PRC, limited liability company	Business of logistics services and information technology development	Paid-up capital RMB557,000	**100% (indirect)**	N/A
Shenzhen Ecom Industry Co., Limited	Hong Kong, limited liability company	Investment holding	Ordinary share HK$10,000	**100% (direct)**	N/A
榮成融資租賃（上海）有限公司 Rongcheng Financial Leasing (Shanghai) Co., Ltd*	PRC, limited liability company	Inactive	Registered capital RMB300,000,000	**100% (indirect)**	N/A
Central Culture Holdings Group Limited	BVI, limited liability company	Investment holding	Ordinary share US$50,000	**100% (direct)**	N/A
Joyful (HK) Group Limited	Hong Kong, limited liability company	Investment holding	Ordinary share HK$10,000	**100% (direct)**	N/A
中環云智健康科技（浙江）有限公司 Central Intelligence Healthcare Technology (Zhe Jiang) Co., Ltd*	PRC, limited liability company	Inactive	Registered capital RMB50,000,000	**100% (indirect)**	N/A

Note: None of the subsidiaries had issued any listed securities at the end of the reporting period. The Group had no subsidiaries which have material non-controlling interests for the years ended 31 March 2020 and 2019.

* English translation of the name of a Chinese company is provided for identification purpose only.

13. DIVIDENDS

No dividend was proposed or paid by the board of directors for the year ended 31 March 2020 (2019: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK$'000	Leasehold improvements HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2018	7,917	425	231	3,054	11,627
Additions	8,760	–	38	1,097	9,895
At 31 March 2019	16,677	425	269	4,151	21,522
Accumulated depreciation					
At 1 April 2018	6,840	347	214	2,651	10,052
Charge for the year	569	78	15	275	937
At 31 March 2019	7,409	425	229	2,926	10,989
Net Book value					
At 31 March 2019	9,268	–	40	1,225	10,533
Cost					
At 1 April 2019	**16,677**	**425**	**269**	**4,151**	**21,522**
Additions	**35**	**–**	**193**	**1,822**	**2,050**
Acquired on acquisitions of subsidiaries	**–**	**–**	**292**	**–**	**292**
Disposals	**(7)**	**–**	**(23)**	**(693)**	**(723)**
Exchange adjustments	**–**	**–**	**(12)**	**(3)**	**(15)**
At 31 March 2020	**16,705**	**425**	**719**	**5,277**	**23,126**
Accumulated depreciation					
At 1 April 2019	**7,409**	**425**	**229**	**2,926**	**10,989**
Charge for the year	**2,134**	**–**	**30**	**511**	**2,675**
Eliminated on disposals	**(7)**	**–**	**(23)**	**(693)**	**(723)**
Exchange adjustments	**–**	**–**	**(1)**	**–**	**(1)**
At 31 March 2020	**9,536**	**425**	**235**	**2,744**	**12,940**
Net Book value					
At 31 March 2020	**7,169**	**–**	**484**	**2,533**	**10,186**

15. RIGHT-OF-USE ASSETS

The Group leases certain properties as office premises and staff quarter for its operations. Leases contracts are entered into for fixed terms between two and three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

	Staff quarter HK$'000	**Office premises** HK$'000	**Total** HK$'000
At 1 April 2019			
Carrying amount	–	–	–
At 31 March 2020			
Carrying amount	**596**	**8**	**604**
For the year ended 31 March 2020			
Depreciation charge	298	1	299
Finance costs (Note 6)			18
Expense relating to short-term leases and other leases within 12 months of the date of initial application of HKFRS16			1,759
Total cash outflow for leases			2,068
Additions to right-of-use assets			903

The Group entered into short-term leases for certain office premises and office equipment. At 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 7.

The lease agreements do not impose any covenants other than the security interests in the leases assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2019	–
Additions	20,808
Net increase in fair value recognised in profit or loss	5,375
Exchange adjustments	(466)
At 31 March 2020	**25,717**
Unrealised gain on properties revaluation included in profit or loss	5,375

The fair value of the Group's investment properties as at 31 March 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Quzhou Zhongruihua Asset Appraisal Co. Ltd, independent qualified professional valuers not connected to the Group.

The fair value was determined based on direct comparison approach where the values are assessed by reference to the comparable properties in close proximity and adjusted for differences in key attributes such as property size and location.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

	Level 3 HK$'000	Fair value as at 31 March 2020 HK$'000
Investment properties located in the PRC	**25,717**	**25,717**

There were no transfers into or out of Level 3 during the year.

Investment properties	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Land in PRC for commercial use	Level 3	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties. The key input is "price per square metre" with professional judgements.	Adjusted average price per square meter of HK$549	A significant increase of the market unit rate used would result in a significant increase in fair value, and vice versa.

17. INTANGIBLE ASSETS

	Goodwill HK$'000 Note (i)	Licence HK$'000 Note (ii)	Total HK$'000
At 1 April 2019	–	–	–
Arising on acquisitions of subsidiaries	890	2,805	3,695
Exchange adjustments	(20)	(50)	(70)
As at 31 March 2020	**870**	**2,755**	**3,625**

Notes:

(i) For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit ("CGU"), representing Shanghai Zhonggao and Hefei Guangyixin acquired by the Group during the year ended 31 March 2020 (Note 34).

The carrying amount of goodwill is allocated to the CGU as follows:

	2020 HK$'000
Provision of logistics services and information technology development	373
Others	497
	870

(a) Provision of logistics services and information technology development

During the year ended 31 March 2020, the management performed impairment review for the goodwill. The recoverable amount of the CGU has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 23.43%, that reflect the risks specific to the CGU. No impairment loss was recognised in respect of goodwill allocated to this CGU for the year ended 31 March 2020 as the recoverable amount to this CGU exceeded its carrying amount.

(b) Others

During the year ended 31 March 2020, the management performed impairment review for the goodwill. The recoverable amount of the CGU has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 21.78%, that reflect the risks specific to the CGU. No impairment loss was recognised in respect of goodwill allocated to this CGU for the year ended 31 March 2020 as the recoverable amount to this CGU exceeded its carrying amount.

(ii) The licence represents a second class main contractor in general construction works licence (建築工程施工總承包貳級) in the PRC which were purchased as part of acquisitions of subsidiaries during the year ended 31 March 2020 (Note 34).

The licence is considered by the management of the Group as having an indefinite useful life as it is expected to generate economic benefit to the Group indefinitely. The licence will not be amortised until its useful life is determined to be finite.

During the year ended 31 March 2020, the management performed impairment review for the licence. The recoverable amount of the licence has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 23.47%, that reflect the risks specific to the licence. No impairment loss was recognised for the year ended 31 March 2020 as the recoverable amount to the licence exceeded its carrying amount.

18. DEPOSIT AND PREPAYMENT FOR LIFE INSURANCE POLICY

The Group entered into a life Insurance policy with an insurance company to insure Mr. Benjamin Ng. Under the policy, Wise Trend Engineering is the beneficiary and policy holder and the total insured sum is US$ 1,080,000 (equivalent to approximately HK$8,424,000). Wise Trend Engineering is required to pay upfront deposits of approximately US$388,000 (equivalent to approximately HK$3,026,000). Wise Trend Engineering can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US$388,000 (equivalent to approximately HK$3,026,000) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the eighteenth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Wise Trend Engineering a guaranteed interest of 3.55% per annum for the first year, followed by guaranteed interest of 2% per annum or above per annum for the following years.

At 31 March 2020, the deposits and prepayments for life insurance policies amounted to approximately HK$3,074,000 (2019: approximately HK$2,990,000). The deposits and prepayments for life insurance policies are denominated in US$.

Included in sundries income for the year ended 31 March 2020 was amount of approximately HK$108,000 (2019: approximately HK$106,000) in respect of income on deposit and prepayment for life insurance policy.

19. FINANCIAL INSTRUMENTS BY CATEGORY

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables excluding prepayments	**49,714**	58,877
Cash and bank balances	**114,462**	62,633
Total	**164,176**	121,510
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**29,466**	26,806
Amounts due to related companies	**79,719**	–
Lease liabilities	**618**	–
Total	**109,803**	26,806

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract assets	**62,792**	61,565
Less: Provision for impairment losses	**(23)**	(1)
	62,769	61,564

As at 1 April 2018, contract assets amounted to approximately HK$64,392,000 and contract liabilities amounted to approximately HK$416,000.

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. When the Group receives a deposit before services are rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

As at 31 March 2020, included in contract assets comprises retention receivables of approximately HK$29,828,000 (2019: approximately HK$34,879,000).

Retention receivables represented the monies withheld by customers of contract works fully recoverable within 1 year from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Generally, upon satisfactory completion of contract work as set out in the contract, partial of the retention money of such contract work will be released to the Group, while the remaining will be released to the Group upon the expiration of the defects liability period.

The Group applied the simplified approach to provide for ECL prescribed by HKFRS 9. The counterparties are grouped based on shared credit risk characteristics by reference to past default experience, current past due exposure of the debtor and forward-looking information.

Details of impairment assessment of contract assets for the years ended 31 March 2020 and 2019 are set out in Note 3.1.

21. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**27,907**	37,761
Less: Provision for impairment losses on trade receivables	**(5)**	(23)
	27,902	37,738
Other receivables, deposits and prepayments	**24,808**	21,287
Less: Provision for impairment losses on other receivables and deposits	**(60)**	(23)
	24,748	21,264
	52,650	59,002

Notes:

(a) The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period granted to customers is 7 to 30 days generally.

(b) The ageing analysis of the trade receivables (including amounts due from related companies of trading in nature) based on payment certificate date/invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	**16,096**	13,474
31–60 days	**2,095**	19,472
61–90 days	**6,273**	341
Over 90 days	**3,443**	4,474
	27,907	37,761

(c) Age of trade receivables that are past due but not impaired:

As at 31 March 2020, trade receivables of approximately HK$11,811,000 (2019: approximately HK$24,287,000) were past due. Based on past experience and forward-looking estimates, the amounts are considered as recoverable.

(d) Included in the Group's trade and other receivables are amounts due from related companies of approximately HK$855,000 as at 31 March 2020 (2019: nil), which are repayable on credit terms similar to those offered to other customers of the Group.

(e) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(f) The movement in the loss allowance on trade and other receivables are as follow:

	Trade receivables HK$'000	Other receivables and deposits HK$'000
As at 1 April 2018	33	–
(Reversal of)/provision for loss allowance recognised in profit or loss during the year	(10)	23
As at 31 March 2019 and 1 April 2019	23	23
(Reversal of)/provision for loss allowance recognised in profit or loss during the year	(18)	37
As at 31 March 2020	5	60

(g) The Group applied the simplified approach to provide for ECL prescribed by HKFRS 9 which permits the use of the lifetime ECL for trade receivables. The debtors are grouped based on shared credit risk characteristics by reference to past default experience, current past due exposure of the debtor and forward-looking information.

The Group applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL for other receivables and deposits.

Details of impairment assessment of trade and other receivables for the years ended 31 March 2020 and 2019 are set out in Note 3.1.

22. CASH AND BANK BALANCES

	2020 HK$'000	2019 HK$'000
Cash at banks	**114,462**	62,633
Cash and cash equivalents	**114,462**	62,633

Notes:

(a) As at 31 March 2020, included in cash and cash equivalents of the Group was approximately HK$53,860,000 (2019: nil) of bank balances denominated in RMB placed with banks in the PRC, which are not freely convertible into other currencies.

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

23. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	264,000,000	2,640

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 13 March 2018 as to attract and retain the best available personnel and 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 or advisors, 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 from time to time on the basis of the directors' opinion as to their contribution 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.

24. SHARE OPTION SCHEME *(Continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval 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.

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 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 13 March 2018, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2020 and 2019.

25. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	450
Within a period of more than one year but not exceeding two years	168
	618
Less: Amount due for settlement with 12 months shown under current liabilities	(450)
Amount due for settlement after 12 months shown under non-current liabilities	168

Lease obligations that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2020 HK$'000
RMB	15

26. LIABILITIES FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash at banks when such payments are required.

	Total HK$'000
At 1 April 2018	562
Charged to profit or loss	191
At 31 March 2019 and 1 April 2019	753
Charged to profit or loss	123
At 31 March 2020	**876**

27. DEFERRED TAX LIABILITIES

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

	2020 **HK$'000**	2019 HK$'000
Deferred tax liabilities	**2,602**	1,029

The components of deferred tax liabilities recognised in the consolidated statements of financial position and the movements during the years are as follows:

	ECL provision HK$'000	**Accelerated tax depreciation** HK$'000	**Land appreciation tax** HK$'000	**Total** HK$'000
At 1 April 2018	(7)	15	–	8
(Credited)/charged to profit or loss (Note 10)	(1)	1,022	–	1,021
At 31 March 2019 and 1 April 2019	(8)	1,037	–	1,029
(Credited)/charged to profit or loss (Note 10)	(7)	9	1,613	1,615
Exchange realignment	–	–	(42)	(42)
At 31 March 2020	**(15)**	**1,046**	**1,571**	**2,602**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the PRC subsidiaries amounting to approximately HK$3,653,000 as at 31 March 2020 (2019: nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$39,768,000 (2019: approximately HK$22,044,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams. The losses may be carried forward indefinitely.

28. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**16,303**	16,101
Accruals and other payables	**13,163**	10,705
	29,466	26,806

Notes:

(a) Payment terms granted by suppliers are generally 7 to 90 days from the invoice date of the relevant purchases.

The aging analysis of trade payables based on the invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	**11,860**	9,732
31–60 days	**1,884**	6,178
61–90 days	**879**	113
Over 90 days	**1,680**	78
	16,303	16,101

(b) Included in the Group's other payables are amounts due to related parties of approximately HK$63,000 as at 31 March 2020 (2019: nil), which are non-interest bearing and repayable on demand.

29. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, non-interest bearing and has no fixed terms of repayment.

30. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of loss before income tax to net cash used in operations

	2020 HK$'000	2019 HK$'000
Loss before income tax	**(10,549)**	(9,372)
Adjustments for:		
Depreciation of property, plant and equipment	**2,675**	937
Depreciation of right-of-use assets	**299**	–
Interest income	**(274)**	(1,303)
Reversal of impairment losses on trade receivables	**(18)**	(10)
Provision/(reversal) for impairment losses on contract assets	**22**	(9)
Provision for impairment losses on other receivables and deposits	**37**	23
Gain on fair value changes of investment properties	**(5,375)**	–
Net gains on disposal of property, plant and equipment	**(120)**	–
Adjustment for disposal of debt instruments at FVOCI	**–**	7
Provision for long service payments	**123**	191
Finance costs	**18**	–
Operating loss before working capital changes	**(13,162)**	(9,536)
(Increase)/decrease in contract assets	**(1,227)**	2,827
Decrease/(increase) in trade and other receivables	**8,597**	(12,346)
Decrease in contract liabilities	**–**	(416)
Decrease in trade and other payables	**(215)**	(8,544)
Net cash used in operations	**(6,007)**	(28,015)

(b) Reconciliation of liabilities arising from financing activities:

	Amounts due to related companies HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
As at 1 April 2019	–	–	–
Finance costs	–	18	18
Financing cash flow	81,691	(309)	81,382
Acquisitions of subsidiaries	10	15	25
New leases entered	–	894	894
Exchange adjustments	(1,982)	–	(1,982)
As at 31 March 2020	**79,719**	**618**	**80,337**

31. COMMITMENTS

Operating lease commitments — Group as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2019 HK$'000
Within one year	733

The Group is the lessee in respect of premises and car parks under operating leases. The leases typically run for an initial period of 1 to 2 years.

32. 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.

Save as disclosed in Notes 21, 28 and 29 to this report, the Group had the following significant related party transactions during the year:

(a) Transactions with related party

Name of related party	Nature of transaction	2020 HK$'000	2019 HK$'000
Anhui Zhong Zhi Huan Intelligent Logistics Co., Ltd.* (安徽中之環智慧物流有限公司) (Note (i))	Revenue from logistics services and information technology development	2,011	–
Shenzhen Qianhai Fu Xin Tai Factoring Co., Ltd. (深圳市前海福鑫泰保理有限公司) (Note (i))	Revenue from logistics services and information technology development	635	–
Top Wealthy Limited (Notes (ii) and (iii))	Rental expense from short-term leases	599	599
	Management fee	135	134
Grand Faith International Investment Limited (Notes (i) and (ii))	Rental expense from short-term leases	400	–
	Management fee	2	–

* *For identification only*

32. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related party *(Continued)*

Notes:

(i) The companies were controlled by Mr. Yu.

(ii) The management fee and rental expenses for premise payable to the above related parties are based on the agreements entered into between the parties involved.

(iii) Top Wealthy is owned by Ms. KY Tsui, Ms. May Ng and Ms. Tang Shuk Ngar, Elli (the spouse of Mr. Benjamin Ng) as to 62.5%, 12.5% and 25% respectively.

(b) As disclosed in Note 34, during the year, the Group acquired equity interests in Shanghai Zhonggao and Hefei Guangyixin from company controlled by the ultimate controlling shareholder of the Company.

(c) The emoluments of the directors and senior executives (representing the key management personnel) during the years are disclosed in Note 9.

33. SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK$41,998,000 (2019: approximately HK$46,915,000) as at 31 March 2020. Mr. Ng Wong Kwong, Ms. May Ng and Wise Trend Engineering (2019: the Company and Wise Trend Engineering) have unconditionally and irrevocably agreed to indemnify to the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

As at 31 March 2020, the Group paid a cash collateral of approximately HK$13,330,000 (2019: approximately HK$14,976,000) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments (Note 21).

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

34. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Shanghai Zhonggao

In January 2020, the Group entered into a sale and purchase agreement with Anhui Central Holding Group Co., Ltd* (安徽中環控股集團有限公司) ("Anhui Central") to acquire 100% of the issued share capital of Shanghai Zhonggao for consideration of RMB557,000 (equivalent to approximately HK$624,000). Shanghai Zhonggao is principally engaged in provision of logistics services and information technology development.

Consideration transferred

	HK$'000
Cash	624

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	292
Right-of-use assets	9
Current assets	
Trade and other receivables	1,079
Bank balances	23
Current liabilities	
Trade and other payables	(1,146)
Non-current liabilities	
Lease liabilities	(15)
Net assets	242

The fair value of trade and other receivable at the date of acquisition amounted to approximately HK$1,079,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$1,079,000 at the date of acquisition.

34. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of Shanghai Zhonggao *(Continued)*

Goodwill arising on acquisition

	HK$'000
Consideration transferred	624
Less: fair value of net assets acquired — shown as above	(242)
Goodwill arising on acquisition (Note 17)	382

Goodwill arose in the acquisition of Shanghai Zhonggao because it enables the Group to diversify the business in a realm with potential growth opportunity and the Group considers that the investment in Shanghai Zhonggao will provide another source of income to the Group. This represents an opportunity for the Group to invest into a business of logistics services and information technology development so as to diversify its business portfolio. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Shanghai Zhonggao

	HK$'000
Consideration paid in cash	624
Less: cash and cash equivalents acquired	(23)
Net cash outflow	601

Included in the loss for the year was profit of approximately HK$1,295,000 attributable to the additional business generated by Shanghai Zhonggao. Revenue for the year includes approximately HK$2,646,000 generated from Shanghai Zhonggao.

Had the acquisition been completed on 1 April 2019, revenue for the year of the Group would have been approximately HK$180,447,000, and loss for the year of the Group would have been approximately HK$12,693,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor is it intended to be a projection of future results.

34. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(b) Acquisition of Hefei Guangyixin

In December 2019, the Group entered into a sale and purchase agreement with Anhui Central to acquire 100% of the issued share capital of Hefei Guangyixin for nil consideration. Hefei Guangyixin is principally engaged in trading of commodities.

Consideration transferred

	HK$'000
Cash	–

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Current assets	
Trade and other receivables	1,280
Bank balances	16
Current liabilities	
Trade and other payables	(1,794)
Amounts due to related companies	(10)
Net liabilities	(508)

Goodwill arising on acquisition

	HK$'000
Consideration transferred	–
Add: fair value of net liabilities acquired — shown as above	508
Goodwill arising on acquisition (Note 17)	508

The fair value of trade and other receivable at the date of acquisition amounted to approximately HK$1,280,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$1,280,000 at the date of acquisition.

Goodwill arose in the acquisition of Hefei Guangyixin because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Hefei Guangyixin. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

34. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(b) Acquisition of Hefei Guangyixin *(Continued)*

Net cash inflow on acquisition of Hefei Guangyixin

	HK$'000
Consideration paid in cash	–
Less: cash and cash equivalents acquired	(16)
Net cash inflow	(16)

Included in the loss for the year was loss of approximately HK$168,000 attributable to the additional business generated by Hefei Guangyixin. Hefei Guangyixin had not contributed to the Group's revenue between the date of acquisition and 31 March 2020.

Had the acquisition been completed on 1 April 2019, revenue for the year of the Group would have been approximately HK$180,447,000, and loss for the year of the Group would have been approximately HK$13,210,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor is it intended to be a projection of future results.

(c) Acquisition of Anhui Zhongzhihuan Construction

In November 2019, the Group entered into a sale and purchase agreement with a third party, pursuant to which the Group acquired the entire equity interest of Anhui Zhongzhihuan Construction at a cash consideration of RMB2,520,000 (equivalent to approximately HK$2,805,000).

Anhui Zhongzhihuan Construction was incorporated in the PRC and owns a construction licence in the PRC. Anhui Zhongzhihuan Construction did not operate any business at the date of completion of acquisition and there were no assets and liabilities other than the construction licence. The acquisition was accounted for acquisition of asset and the consideration was allocated to intangible asset (i.e. licence) accordingly.

Consideration transferred

	HK$'000
Cash	2,805

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Intangible asset	2,805
Net assets	2,805

34. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(c) Acquisition of Anhui Zhong Zhihuan Construction *(Continued)*

Net cash outflow on acquisition of asset through acquisition of a subsidiary

	HK$'000
Consideration paid in cash	2,805
Less: cash and cash equivalents acquired	–
Net cash outflow	2,805

* English translation of the name of a Chinese company is provided for identification purpose only.

35. EVENTS AFTER THE REPORTING PERIOD

The board of directors resolved to change the financial year end date of the Company from 31 March to 31 December. The next financial year end date of the Group will be 31 December 2020 and the next audited consolidated financial statements of the Group to be published will be in respect of the nine month period from 1 April 2020 to 31 December 2020.

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

(a) Statement of financial position

	2020 HK$'000	2019 HK$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**800**	–
Current assets		
Other receivables	**465**	161
Amounts due from subsidiaries	**49,324**	24,606
Cash and cash equivalents	**9,448**	43,381
	59,237	68,148
Total assets	**60,037**	68,148
EQUITY		
Capital and reserves		
Share capital	**2,640**	2,640
Reserves	**54,030**	64,062
Total equity	**56,670**	66,702
LIABILITIES		
Current liabilities		
Other payables	**2,567**	1,446
Amounts due to subsidiaries	**800**	–
Total liabilities	**3,367**	1,446
Total equity and liabilities	**60,037**	68,148
Net current assets	**55,870**	66,702
Total assets less current liabilities	**56,670**	66,702

The financial statements were approved and authorised for issue by the board of directors on 29 May 2020 and signed on its behalf by:

Mr. Yu Zhuyun
Director

Mr. Li Menglin
Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement

	Share premium HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
Balance at 1 April 2018	88,276	(20,279)	67,997
Loss and total comprehensive expense for the year	–	(3,935)	(3,935)
Balance at 31 March 2019 and 1 April 2019	**88,276**	**(24,214)**	**64,062**
Loss and total comprehensive expense for the year	**–**	**(10,032)**	**(10,032)**
Balance at 31 March 2020	**88,276**	**(34,246)**	**54,030**

Financial Summary

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

RESULTS

	For the year ended 31 March				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**180,447**	199,228	215,692	184,363	212,488
Direct costs	**(173,320)**	(191,260)	(165,019)	(135,106)	(161,735)
Gross profit	**7,127**	7,968	50,673	49,257	50,753
Other income and net gains	**4,347**	1,512	138	–	88
Gain on fair value changes of investment properties	**5,375**	–	–	–	–
Administrative and other operating expenses	**(27,381)**	(18,852)	(33,729)	(16,774)	(14,796)
Finance costs	**(18)**	–	–	(3)	(6)
(Loss)/profit before income tax	**(10,550)**	(9,372)	17,082	32,480	36,039
Income tax expense	**(2,137)**	(1,442)	(6,354)	(5,524)	(5,974)
(Loss)/profit for the year	**(12,687)**	(10,814)	10,728	26,956	30,065
Other comprehensive (expense)/income	**(98)**	36	(36)	–	–
Total comprehensive (expense)/income for the year attributable to owners of the Company	**(12,785)**	(10,778)	10,692	26,956	30,065

	As at 31 March				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Non-current assets	**43,206**	13,523	4,484	2,368	3,678
Current assets	**231,208**	188,564	221,047	136,079	125,648
Non-current liabilities	**3,646**	1,782	577	677	870
Current liabilities	**110,054**	26,806	37,801	52,225	54,867
Equity attributable to owners of the Company	**160,714**	173,499	187,153	85,545	73,589