

Creative Enterprise Holdings Limited

創毅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3992



ANNUAL
REPORT
2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS**Executive Directors**

Mr. POON Kin Leung (*Chairman*)
 Mr. LEE Siu Wah Albert
 Mr. LAM Siu Hung Christopher
 Mr. WONG King Cheung
 Mr. LAI Wai Man
 Mr. WU Ka Chai

Independent Non-Executive Directors

Mr. WONG Chung Kin Quentin
 Mr. TANG Yiu Ming
 Mr. WONG Si Yuen

BOARD COMMITTEES**Audit Committee**

Mr. WONG Chung Kin Quentin (*Chairman*)
 Mr. TANG Yiu Ming
 Mr. WONG Si Yuen

Remuneration Committee

Mr. TANG Yiu Ming (*Chairman*)
 Mr. WONG Chung Kin Quentin
 Mr. WONG Si Yuen

Nomination Committee

Mr. WONG Si Yuen (*Chairman*)
 Mr. TANG Yiu Ming
 Mr. WONG Chung Kin Quentin

COMPANY SECRETARY

Mr. LEUNG Man Fai

AUTHORISED REPRESENTATIVES

Mr. POON Kin Leung
 Mr. LEE Siu Wah Albert

AUDITOR

PricewaterhouseCoopers (*Certified Public Accountants and
 Registered Public Interest Entity Auditor*)
 22/F, Prince's Building
 Central
 Hong Kong

LEGAL ADVISOR

As to Hong Kong law
 Li & Partners
 22/F, World-Wide House
 19 Des Voeux Road Central
 Central
 Hong Kong

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 PO Box 2681
 Grand Cayman
 KY1-1111
 Cayman Islands

**HEADQUARTER AND PRINCIPAL
PLACE OF BUSINESS IN HONG KONG**

Units E & F, 25/F, Block 2
 Vigor Industrial Building
 49-53 Ta Chuen Ping Street
 Kwai Chung
 New Territories
 Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

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

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central, Hong Kong

DBS Bank (Hong Kong) Limited
11/F, The Center
99 Queen's Road Central
Central, Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central, Hong Kong

COMPLIANCE ADVISER

Zhongtai International Capital Limited
19/F., Li Po Chun Chambers
189 Des Voeux Road Central
Central, Hong Kong

STOCK CODE

3992

COMPANY'S WEBSITE

www.cpsc.hk



YEAR'S EVENT HIGHLIGHTS

7 SEPTEMBER 2019



Senior staff representatives visited Zhongshan, China

21 SEPTEMBER 2019



「工管一家」Team Building

28 SEPTEMBER 2019



Attended the HKAPMC Annual Football Challenge Tournament 2019 and became the Cup Competition Winner

YEAR'S EVENT HIGHLIGHTS

19 OCTOBER 2019



「工管一家」basketball match

16 DECEMBER 2019



Participated in a poverty alleviation (aids to school children) ceremony in Deqing. The charity activity was organized by the Housing Managers' Association

13 FEBRUARY 2020



Due to outbreak of Coronavirus, the Company was appointed by the Department of Health for provision of special cleansing services for the quarantine centre at Chun Yeung Estate.



YEAR'S EVENT HIGHLIGHTS

6 MARCH 2020

The Company was further appointed by the Department of Health for a short period provision of special cleansing services for the quarantine centre at Chai Wan Lei Yue Mun Park and Holiday Village.

As of the date of this report, we have further provided temporary services to two other quarantine centres : Jao Tsung-I Academy Heritage Lodge, and Junior Police Call Permanent Activity Centre and Integrated Youth Training Camp to meet the anti-epidemic need.

NEW CONTRACTS AWARDED**1 APRIL 2019**

Awarded the property management services contract of Balwin Court

1 APRIL 2019

Awarded the property management services contract of Oscar Court

31 MAY 2019

Awarded contract by the Hong Kong Housing Authority for providing property management services to Ching Chun Court

1 JUNE 2019

Awarded the property management services contract of Yuen Tung Building

1 JUNE 2019

Awarded contract by the Urban Renewal Authority for providing Regular Pest Control Services at K7 DAS

1 AUGUST 2019

Awarded the property management services contract of Mui Wo Building

2 SEPTEMBER 2019

Awarded contract by the Urban Renewal Authority for providing standalone alone security services for project KC-014 — Wing Kwong Street/Sung On Street

1 OCTOBER 2019

Awarded the property management services contract of Hoi Wan Building

1 OCTOBER 2019

Awarded contract by the Hong Kong Housing Authority for providing security services to Tai Wo Hau Estate

YEAR'S EVENT HIGHLIGHTS

1 NOVEMBER 2019

Awarded the property management services contract of Ka Hay Building

1 DECEMBER 2019

Awarded contract by the Hong Kong Housing Authority for providing property management services to Upper Wong Tai Sin Estate and residual services to Four TPS Estates

1 DECEMBER 2019

Awarded contract by the Hong Kong Housing Authority for providing cleansing services to Tin Yuet Estate

6 DECEMBER 2019

Awarded the property management services contract of Wilson Court

1 JANUARY 2020

Awarded contract by the Hong Kong Housing Authority for providing property management services to Choi Yuen Estate and residual services to Tin Ping and Tai Ping Estates

1 JANUARY 2020

Awarded contract by the Hong Kong Housing Authority for providing security services to Hing Man Estate

1 JANUARY 2020

Awarded the Secondment contract by the Hong Kong Housing Authority

1 FEBRUARY 2020

Awarded the property management services contract of Silver Pearl Mansion

13 FEBRUARY 2020

Awarded contract by Department of Health for providing cleansing services to quarantine centre (Chun Yeung Estate)

1 MARCH 2020

Awarded the property management services contract of Yu Tung Court

6 MARCH 2020

Awarded contract by Department of Health for providing cleansing services to quarantine centre (Chai Wan Lei Yue Mun Park and Holiday Village)



YEAR'S AWARDS

March 2020

We won 13 awards Estate Management Services Contractors Awards organized by The Hong Kong Housing Authority, including the Hong Kong Housing Authority's Best Property Services Agent (Public Rental Housing): Gold Award for the year ended 2019.

Winner List:

| |
|--|
| Best Property Services Agent (Public Rental Housing) — Gold Award |
| Best Property Services Agent (Safety Management) — Gold Award |
| Best Estate Manager (Maintenance) — Bronze Award — Chan Wah Ping (Ching Ho Estate) |
| Best Estate Manager (Property Management) — Gold Award — Lam Siu Fong (Shek Lei II Estate) |
| Best Estate Manager (Property Management) — Bronze Award — Koo Lai Man (Mei Tin Estate) |
| Best PRH Estate (Property Services) Small Estate — Silver Award (Cheung Lung Wai Estate) |
| Best PRH Estate (Property Services) Large Estate — Gold Award (Choi Yuen Estate) |
| Best Security Services Contractor — Gold Award |
| Best Cleansing Services Contractor — Bronze Award |
| Best Property Management Staff (Maintenance) — Merit (Ling Yim Kei, Siu Sai Wan Estate) |
| Best Property Management Staff (Maintenance) — Merit (Cheng Tai Wah, Mei Tin Estate) |
| Best Property Management Staff (Estate Management) — Merit (Chan Chung Kei, Hoi Fu Court) |
| Best Property Management Staff (Estate Management) — Merit (TAM Ka Chung, Po Tat Estate) |



CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Creative Enterprise Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020.

BUSINESS REVIEW

Following the listing of the shares in the Company on 11 December 2018, it is another year of notable growth in profitability and brand recognition of the Company. This year, our continuous outstanding service quality has enabled us to achieve gold awards issued by the Housing Authority for categories including Best Public Housing Estates, Best Property Services Agent (Safety Management), Best Estate Manager (Property Management), Best Public Rental Housing Estate (Property Services) for Large Estate, and Best Security Services Contractor. In recognition of our overall service excellence, we are honoured to be awarded with the Best Property Services Agent (Public Rental Housing)–Gold Award of the year, consecutively for 11 years since 2009. The performance of the Company were affirmed by the combined scores given by the assessment panel formed by the Housing Department's supervisory teams, the feedback from the Estate Management Advisory Committees and the results of random surveys conducted among residents.

The Group emphasises on corporate social responsibility, particularly at this time of the outbreak of the epidemic in Hong Kong. We are appointed by the Department of Health as the cleansing contractor for the major quarantine centre at Chun Yeung Estate. We have also provided short term cleansing services at three other quarantine centres: Jao Tsung-I Academy Heritage Lodge, Chai Wan Lei Yue Mun Park and Holiday Village, and Junior Police Call Permanent Activity Centre and Integrated Youth Training Camp. Rather than taking this operation as part of the business, we regard it as an opportunity to serve the community in the fighting against the epidemic. I am deeply thankful to our frontline staffs for their relentless efforts in fighting the disease at the forefront thereby making significant contribution to the protection of public health.

The Company's management continues to expand business with sustained profitability and improve the Group's operational and management efficiency, generating good returns for the shareholders of the Company (the "**Shareholders**"). This year, total revenue of the Group increased by 9.5% from approximately HK\$715.8 million for the year ended 31 March 2019 to approximately HK\$783.9 million for the year ended 31 March 2020. Adjusted operating profit of the Group increased by 14.4% from approximately HK\$32.6 million (excluding one-off listing expenses of HK\$12.3 million) for the year ended 31 March 2019 to approximately HK\$37.3 million for the year ended 31 March 2020. The basic earnings per share for the year ended 31 March 2020 was HK\$5.98 cents (2019: HK\$3.23 cents).

Details of the Group's performance, financial position and operation for the year ended 31 March 2020 would be discussed in the section headed "Management Discussion and Analysis" of this annual report.

FUTURE PROSPECTS

Hong Kong is facing unprecedented challenges in public health and its economy. The epidemic brings challenges as well as opportunities to the property management market. Given the great impact on Hong Kong's economic environment, we expect to face keen competition in tendering. On the other hand, the expected increase of the unemployment rate will boost up the supply in the labour market which help solving our existing labour supply problem. With our outstanding performance and leading market position, the Group continues to enjoy a comparative advantage over its competitors. Moving ahead, it is the Group's mission to achieve sustainable growth. We will strive to increase our market share in both public and private sectors in Hong Kong property market. We will consider to tender for the Housing Authority's new management services contracts including the stand-alone security contracts and stand-alone cleaning services contracts. We will continue to explore opportunities in the private sectors, and we will consider to acquire suitable property management companies with good track records and sound financial status.





CHAIRMAN'S STATEMENT

The Group would continue to stay resilient and determined to serve our clients and customers in fighting against the epidemic. At this crisis, the health and safety of our employees, tenants and contractors is the top priority of our concern. We will adhere closely to the guidelines and precautionary measures provided by the Centre for Health Protection under the Department of Health, in particular those regarding personal protective gears for frontline staff, environmental hygiene of properties and the use of disinfectants to minimize the risk of contracting and spreading the disease.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all our valued customers, business partners, associates and Shareholders for their constant support. I would also like to extend my sincere appreciation to all our employees for their dedication and outstanding performance all along, without which our sustained achievements would not be possible.

Poon Kin Leung

Chairman

26 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview and Prospects

The Group is principally engaged in the provision of property management services and other related services in Hong Kong for both public and private properties, which include estate general management, tenancy management, rent and management fees collection services, security, cleaning, minor repair and maintenance, project management services, as well as legal and administrative support services.

For the year ended 31 March 2020, the Hong Kong Housing Authority (“**HKHA**”) remains as the Group’s largest customer, and the Group’s existing property management portfolio comprised thirty-one (31) HKHA contracts (including sixteen (16) property management services contracts, eleven (11) stand-alone security services contracts, three (3) stand-alone cleansing services contracts, and one (1) secondment contract); sixty-four (64) private property management services contracts; five (5) private stand-alone cleansing services contracts; two (2) Urban Renewal Authority (“**URA**”) stand-alone security services contracts, two (2) URA stand-alone cleansing services contracts; as well as two (2) Department of Health cleansing services (at quarantine centres) contracts.

The Group considers that the property management services market in Hong Kong, being labour-intensive and vulnerable to macro-economic conditions, is still growing and full of challenges. In order to enhance the growth of the property management business, increase our market share and to achieve our goal, the Company dedicates to (i) tender for additional property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts from the Hong Kong Housing Authority, (ii) expend the service for Home Ownership Scheme (“**HOS**”) estates, non-residential properties and private housing estates; and (iii) expand the business through acquisition of property management company(ies) which provide property management services in the private sector in Hong Kong.

Major Services Contracts Acquired/Renewed

For the year ended 31 March 2020, the Group has successfully acquired one (1) new public property management contract, two (2) new stand-alone security services contracts, four (4) new stand-alone cleansing services contracts, one (1) new public secondment contract and seven (7) new private property management contracts. We have also successfully re-tendered for two (2) public property management contracts, one (1) public stand-alone security services contract and two (2) private property management contracts. During the year, we further extended two (2) public property contracts and twenty-seven (27) private property contracts.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2019 and 2020, all of the Group’s revenue was derived from its operation in Hong Kong. The following table sets out the Group’s revenue by contract type for the year ended 31 March 2019 and 2020:

| | 2020 | | 2019 | | Change | |
|--------------------------------|----------------|--------------|----------------|--------------|---------------|------------|
| | HK\$'000 | % | HK\$'000 | % | HK\$'000 | % |
| Property management services | 616,330 | 78.6 | 568,629 | 79.4 | 47,701 | 8.4 |
| Stand-alone security services | 148,454 | 19.0 | 140,090 | 19.6 | 8,364 | 6.0 |
| Stand-alone cleaning services | 18,311 | 2.3 | 4,024 | 0.6 | 14,287 | 355.0 |
| Other services (<i>Note</i>) | 840 | 0.1 | 3,064 | 0.4 | (2,224) | (72.6) |
| Total | 783,935 | 100.0 | 715,807 | 100.0 | 68,128 | 9.5 |

Note: Other services comprise secondment services and window inspection services.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's total revenue improved by approximately 9.5% from approximately HK\$715.8 million for the year ended 31 March 2019 to approximately HK\$783.9 million for the year ended 31 March 2020. The increase was primarily attributable to (i) the additional service fee income from the eight (8) public new contracts (one (1) property management contract, two (2) stand-alone security services contracts, four (4) stand-alone cleansing services contracts and one (1) secondment contract), as well as seven (7) new private property management contracts acquired; and (ii) the upward adjustment on service fee for some of the Group's existing contracts in accordance with the adjustment mechanism as stipulated in those contracts.

Property Management Services

The Group continues to increase its portfolio through securing new contracts and renewing existing contracts. For its property management services, revenue increased by approximately 8.4% from approximately HK\$568.6 million for the year ended 31 March 2019 to approximately HK\$616.3 million for the year ended 31 March 2020. The increase in revenue of approximately HK\$47.7 million was primarily attributable to (i) the Company having successfully tendered for seven (7) new private property management contracts commencing in the first quarter up to the last quarter of the year ended 2020 respectively; (ii) the Company having been further awarded one (1) new public property management services contract in the third quarter of the year; and (iii) the upward price adjustment on the Group's services to some public properties under the adjustment mechanism.

Stand-alone Security Services

Revenue generated from stand-alone security services contracts increased by approximately 6.0% from approximately HK\$140.1 million for the year ended 31 March 2019 to approximately HK\$148.5 million for the year ended 31 March 2020. Such increase was primarily due to (i) two (2) new security services contracts obtained from the Housing Authority and Urban Renewal Services Department; and (ii) the upward price adjustment on the Group's services to some security services contracts.

Stand-alone Cleaning Services

Revenue generated from stand-alone cleaning services contracts increased by approximately 355.0% from approximately HK\$4.0 million for the year ended 31 March 2019 to approximately HK\$18.3 million for the year ended 31 March 2020. Such increase was primarily due to (i) four (4) new cleaning services contracts during the year; and (ii) the upward price adjustment on the Group's services to some security services contracts.

Other Services

Revenue generated from other services comprising secondment services and window inspection services amounted to approximately HK\$0.8 million for the year ended 31 March 2020. The revenue generated was primarily attributable to one (1) new secondment services contract obtained from the Housing Authority that commences in the last quarter of the year ended 2020.

Other Income and Gains, Net

Other income and gains, net decreased by approximately 73.4% from approximately HK\$0.8 million for the year ended 31 March 2019 to approximately HK\$0.2 million for the year ended 31 March 2020. Such decrease was primarily due to the decrease in fair value gain in our investment property.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Benefits Expenses

Employee benefits expenses comprised staff costs of the Group's (i) estate management staff, which mainly includes staff for estate general management, tenancy management, financial management, project management, repairs and maintenance, management and headquarters; (ii) security staff; and (iii) cleaning staff. As at 31 March 2020, the Group had a total of 4,818 employees (2019: 4,299 employees).

Employee benefits expenses continue to represent one of the Group's major costs. Such expenses increased by approximately 11.9% from approximately HK\$578.8 million for the year ended 31 March 2019 to approximately HK\$647.9 million for the year ended 31 March 2020. Such increase was primarily due to (i) the increase in the number of staff employed for the year ended 31 March 2020 to accommodate new contracts awarded and the business growth of the Group; and (ii) the general increase in the average salary of the Group's staff.

Subcontracting Costs

Subcontracting costs decreased by approximately 16.8% from approximately HK\$67.0 million for the year ended 31 March 2019 to approximately HK\$55.8 million for the year ended 31 March 2020. Such decrease was primarily due to the decrease in subcontracting fee due to (i) cessation in subcontracting of security services for Shek Lei II Estate in the last quarter of the year ended 31 March 2020; and (ii) cessation in subcontracting of cleansing contracts for Sau Mau Ping and Shek Lei II Estate respectively in the third and fourth quarter of the year ended 31 March 2020.

Other Operating Expenses

Other operating expenses amounted to approximately HK\$43.1 million for the year ended 31 March 2020, representing an increase of approximately 13.0% from HK\$38.2 million for the year ended 31 March 2019. Other operating expenses mainly included insurance expense, office supplies expense, guarantee fee for performance bonds, entertainment and estate maintenance expense.

The increase in other operating expenses was mainly attributable to the increase in insurance expense, claimed charges and professional fee.

Operating Profit and Operating Profit Margin

As a result of the foregoing, adjusted operating profit for the year ended 31 March 2020 increased by approximately 14.4% from approximately HK\$32.6 million^{Note 1} for the year ended 31 March 2019 to approximately HK\$37.3 million for the year ended 31 March 2020. Despite the keen competition and rising costs, the Group successfully maintained a stable adjusted operating profit margin amounted to approximately 4.6% for the year ended 31 March 2019 and approximately 4.8% for the year ended 31 March 2020.

Finance Costs

Finance costs were approximately HK\$0.5 million for the year ended 31 March 2020, representing a decrease of approximately 65.9% from HK\$1.6 million for the year ended 31 March 2019.

Income Tax Expense

Income tax expense was approximately HK\$7.0 million for the year ended 31 March 2020 (2019: HK\$5.4 million). Profit before income tax amounted to approximately HK\$36.9 million for the year ended 31 March 2020 compared to that of approximately HK\$31.1 million for the year ended 31 March 2019 (excluding the non-recurring listing expenses of HK\$12.3 million for the year ended 31 March 2019).

Note 1: Excluding one-off listing expenses of HK\$12.3 million, adjusted operating profit for the year ended 31 March 2019 was HK\$32.6 million.



MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR SERVICES CONTRACTS ACQUIRED/RENEWED

For the year ended 31 March 2020, the Group had successfully acquired a total of twenty (20) new contracts. It was able to renew almost all of its existing property management services contracts and stand-alone security services contracts upon initial terms expired.

The following table sets out the number of contracts the Group was providing services to at the end of the reporting period:

| Type of contracts | Number of contracts |
|--|---------------------|
| (1) Public contracts from HKHA (including property management, secondment and stand-alone security and cleansing services contracts) | 31 |
| (2) Public security and cleansing services contracts from URA | 4 |
| (3) Public cleansing services contracts from Department of Health (quarantine centres) | 2 |
| (4) Private contracts (including property management and stand-alone cleansing services contracts) | 69 |

DIVIDENDS

The Board does not recommend the payment of final dividends by the Company for the year ended 31 March 2020 (2019: Nil). There are no arrangements under which a shareholder of the Company ("**Shareholder**") has waived or agreed to waive any dividend.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 March 2020, there has been no change in the capital structure of the Group since then. The capital of the Company only comprises ordinary shares.

As at 31 March 2020, the Company's issued share capital was HK\$5,000,000 and the number of issued ordinary shares was 500,000,000 of HK\$0.01 each.

MANAGEMENT DISCUSSION AND ANALYSIS

| | For the year ended/as at 31 March | |
|--|--|---------|
| | 2020 | 2019 |
| Financial position | | |
| Current assets (HK\$'000) | 340,042 | 312,393 |
| Current liabilities (HK\$'000) | 89,652 | 86,377 |
| Net current assets (HK\$'000) | 250,390 | 226,016 |
| Total assets (HK\$'000) | 392,813 | 360,557 |
| Borrowings (HK\$'000) | 21,269 | 28,055 |
| Cash and bank balances (HK\$'000) | 89,664 | 97,689 |
| Pledged bank deposits (HK\$'000) | 45,212 | 39,095 |
| Total equity (HK\$'000) | 282,531 | 260,754 |
| Key financial ratios | | |
| Return on equity (<i>Note 1</i>) | 11.0% | 6.7% |
| Return on total assets (<i>Note 2</i>) | 7.9% | 4.4% |
| Current ratio (<i>Note 3</i>) | 3.8 | 3.6 |
| Gearing ratio (<i>Note 4</i>) | 7.8% | 11.0% |

Notes:

- Return on equity is calculated by dividing net profit for the year by the average of the total equity attributable to owners of the Company as at the beginning and as at the end of the relevant year and multiplied by 100%.
- Return on total assets is calculated by dividing net profit for the year by the average of the total assets as at the beginning and as at the end of the relevant year and multiplied by 100%.
- Current ratio is calculated by dividing current assets by current liabilities as at the end of the relevant period.
- Gearing ratio is calculated by dividing total debt by total equity attributable to owners of the Company as at the end of the relevant period. Total debt is defined as the sum of borrowings, finance lease liabilities and amounts due to related parties.

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

Cash and cash equivalents were cash and bank balances deducted by bank overdrafts balances. As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$84.4 million (2019: approximately HK\$97.5 million), which comprised cash and bank balances of approximately HK\$89.7 million (2019: approximately HK\$97.7 million) and bank overdrafts of approximately HK\$5.3 million (2019: approximately HK\$0.2 million).

Return on Equity

The return on equity increased from 6.7% for the year ended 31 March 2019 to 11.0% for the year ended 31 March 2020.

Return on Total Assets

The return on total assets increased from 4.4% for the year ended 31 March 2019 to 7.9% for the year ended 31 March 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Current Ratio

The Group's current ratio increased from 3.6 times as at 31 March 2019 to 3.8 times as at 31 March 2020 mainly due to more trade and other receivables as at 31 March 2020.

Gearing Ratio

The Group's gearing ratio as at 31 March 2020 was 7.8% (2019: 11.0%). The total borrowings decreased from approximately HK\$27.6 million as at 31 March 2019 to approximately HK\$21.3 million as at 31 March 2020. On the other hand, the Group's total equity increased during the year ended 31 March 2020 due to profit making during the year.

PERFORMANCE BOND

As at 31 March 2020, 52 bond certificates issued by the banks amounting to approximately HK\$136.8 million (2019: approximately HK\$115.0 million) on behalf of the Group to the clients as required in the service contracts.

CAPITAL EXPENDITURE

The Group purchased property, plant and equipment amounting to approximately HK\$1.5 million for the year ended 31 March 2020 (2019: approximately HK\$0.9 million).

CAPITAL COMMITMENTS

Capital expenditure on acquisition of property, plant and equipment contracted but not recorded in the consolidated financial statements amounted to approximately HK\$387,000 (2019: Nil).

MAJOR INVESTMENT, ACQUISITIONS AND DISPOSALS

The Group did not have any major investment, acquisitions, and disposals during the year ended 31 March 2020. There was no future plan for material investments or capital assets by the Group.

CONTINGENT LIABILITIES

Save as disclosed in Note 27 to the consolidated financial statements, as at 31 March 2020, the Group did not have other material contingent liabilities.

SIGNIFICANT LITIGATION

On 23 November 2017, Creative Property Services Consultants Limited ("**Creative Property**"), an indirectly owned subsidiary of the Company, as plaintiff commenced a legal action in the High Court of Hong Kong against the incorporated owners of a private housing court in Hong Kong (the "**Defendant**") for a sum of approximately HK\$6 million in relation to the outstanding fees for management services provided by the Company during the period from 1 May 2016 to 30 November 2017. In the action, the Defendant counterclaimed for an order to surrender and hand over all "the Defendants' Documents and Properties", an account for "all property and any sums" received by Creative Property on its behalf and damages. Expert directions are granted on 15 May 2020, and the Case Management Summons was fixed to 15 October 2020. There is hence no judgement or settlement as at the date of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS



After consulting our legal counsel, our Directors are of the view that it is quite unlikely that there is any unfavourable outcome to Creative Property. Our Directors have a strong case in claiming for the outstanding service fees in a total sum of approximately HK\$6 million against the Defendant. Further, after consulting our legal counsel, based on the provisions in the professional liability insurance taken out by Creative Property and the insurer's confirmation letter, our Directors are of the view that the counterclaim will be covered by the said professional liability insurance.

Save as disclosed above, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

CHARGES OVER ASSETS OF THE GROUP

As at 31 March 2020, the Group had pledged its leasehold land and buildings of approximately HK\$15.5 million (2019: approximately HK\$15.9 million), bank deposits of approximately HK\$45.2 million (2019: approximately HK\$39.1 million) and investment in insurance contracts of approximately HK\$12.6 million (2019: approximately HK\$12.3 million) to banks for securing its performance bonds of approximately HK\$136.8 million (2019: approximately HK\$115.0 million) and bank borrowings of approximately HK\$16.0 million (2019: approximately HK\$27.4 million) under certain banking facilities.

FOREIGN CURRENCY RISK

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During the year ended 31 March 2020, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives arrangement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2020.

CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS

On 11 December 2018, the shares in the Company (the "**Shares**") were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Since the date of Listing, there was no change to the information required to be disclosed by the Directors pursuant to Rule 13.51(2)(a) to (e) and (g) of the Listing Rules where applicable.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed a total workforce of approximately 4,818 staff members.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job-related skills.



MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

New contracts awarded

On 1 April 2020, Creative Property was awarded one (1) new public property management contract and one (1) secondment contract; as well as three (3) standalone security services contracts by retendering. Save as disclosed in this report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this report.

Outbreak of novel coronavirus

Following the outbreak of Coronavirus Disease 2019 (“**COVID-19**”), the Group has responded promptly by adopting rigorous measures to protect the health and safety of our staff and clients. To strengthen epidemic control in the estate vicinity, we have deployed extra manpower and resources to carry out additional cleansing and disinfection tasks. The Group provides daily essential protective gears including face masks and sanitizing products for over 4,000 employees (office, cleansing and security staff) and disinfection/cleansing materials for the intensified cleansing tasks. The prices of protective gears such as face masks and sanitizing products has rocketed if products are not out of stock, particularly during the early outbreak of COVID-19. We have made every possible effort to strive for continuous supply of the necessary gears even at a more costly price. For the procurement of face masks in particular, many of the suppliers imposed stringent payment terms such as cash payment and short settlement period in addition to the high costs.

As the epidemic is expected to persist, the Group is aware of the need to have additional reserves for funding the necessary manpower and resources daily and continuously. The Group is therefore of the view that the expenditure in the additional cleansing tasks would likely affect the Company's financial performance in the next and coming years. The increased expenditure originally prompted the Directors to consider reducing headquarters manpower including staff layoffs to ease and offset the additional expenses. A decision to implement staff layoffs was eventually shelved for the time being due to the subsidy of the Government's Employment Support Scheme. The Group would continue to pay close attention to the development of the epidemic and evaluate its impact on the financial position and operation of the Group.

Save as disclosed in the section headed “Management Discussion and Analysis” of this report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this report.

USE OF PROCEEDS FROM LISTING

The actual net proceeds from the issue of new Shares under the share offer as set out in the prospectus of the Company dated 29 November 2018 (the “**Prospectus**”) (after deducting the underwriting fees and other Listing expenses borne by the Company) were approximately HK\$99.4 million which will be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

The aggregate net proceeds from the Listing (involving the issue of a total of 125,000,000 ordinary Shares at the offer price of HK\$1.0 per Share), after deducting related underwriting fees and other expenses in connection with the Listing, were approximately HK\$99.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Up to 31 March 2020, a portion of the net proceeds from the Listing had been utilised with reference to the section headed "Future Plans and Use of Proceeds" of the Prospectus as follows:

| Use of net proceeds | Net proceeds from the Listing HK\$ million | Actual utilisation up to 31 March 2020 HK\$ million | Unutilised amounts as at 31 March 2020 HK\$ million |
|---|--|---|---|
| Working capital and cash deposit to secure the performance bonds for undertaking additional contracts | 61.6 | 26.4 | 35.2 |
| Upgrade of computer system and accounting system | 4.6 | 0.3 | 4.3 |
| Acquisition of property management company in Hong Kong | 18.9 | — | 18.9 |
| General working capital | 2.5 | 2.3 | 0.2 |
| Total | 87.6 | 29.0 | 58.6 |

The unutilised amount of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus. As at 31 March 2020, the unutilised net proceeds were deposited in short-term demand deposits with licensed banks in Hong Kong. The Directors expect to improve the overall performance of the Group through the upcoming utilisation of the net proceeds from the Listing.



MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus for the period from 19 November 2018, being the latest practicable date as defined in the Prospectus, to the date of this annual report (the "Review Period") with the Group's actual business progress for the Review Period is set out as follows:

| Business objectives stated in the Prospectus | Actual business progress |
|--|---|
| Tendering for additional property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts | <p>As at 31 March 2020, the Company was awarded four (4) new property management contracts, three (3) new stand-alone security services contracts, three (3) new stand-alone cleaning contracts, and one (1) new secondment contract by the Housing Authority; as well as one (1) stand-alone security services contract and two (2) stand-alone cleaning services contracts by the Urban Renewal Authority.</p> <p>As at 31 March 2020, the Company also successfully tendered for two (2) special cleaning services contracts at the quarantine centres at Chun Yeung Estate and Chai Wan Lei Yue Mun Park and Holiday Village.</p> |
| Expanding our service for HOS estates, non-residential properties and private housing estates | As at 31 March 2020, the Company successfully tendered for the property management contracts of three (3) HOS estates and nine (9) private properties. |
| Upgrading our computer system and accounting system | As at 31 March 2020, the Company had replaced/purchased new computer sets, hard disks, routers and relevant accounting software to maximize efficiency. |
| Growing our business through acquisition of property management company in Hong Kong | As at 31 March 2020, the Company had not acquired any property management company in Hong Kong. |

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Poon Kin Leung (潘建良), aged 65, was appointed as a Director on 16 May 2018 and was designated as an executive Director and the chairman of the Board on 26 June 2018. Mr. Poon is also one of the controlling Shareholders of the Company. He is responsible for strategic planning and the overall management and supervision of the Group. Mr. Poon acted as one of the first directors of Creative Property on 11 September 2000. He was also the first managing director of Creative Property.

Mr. Poon completed the certificate course in housing management offered by the Department of Extra-mural Studies of The University of Hong Kong in August 1986. He was admitted as a member of the Institute of Housing in October 1988. Mr. Poon also obtained a master's degree in housing management from The University of Hong Kong in November 1996. Mr. Poon was registered as a professional housing manager of the Housing Managers Registration Board in September 2004.

Mr. Poon worked in the Housing Department with the last position as an assistant housing manager. He has around 40 years of experience in the property management and maintenance industries. He has been the chairman of the Hong Kong Association of Property Services Agents since June 2006.

Mr. Lee Siu Wah Albert (李兆華), aged 55, was appointed as a Director on 16 May 2018 and was designated as an executive Director on 26 June 2018. Mr. Lee is also one of the controlling Shareholders of the Company. Mr. Lee is our chief executive officer and is responsible for corporate running, public and private property management, and supervision of the Group.

Mr. Lee acted as one of the first directors of Creative Property on 11 September 2000. He has been further appointed as the deputy managing director of Creative Property since November 2014. Mr. Lee has around 22 years of experience in the property management industry.

Mr. Lee obtained a continuing education certificate in property management from the City University of Hong Kong in March 1999. Mr. Lee obtained a national certificate in property management from the Chartered Institute of Housing in March 2000. He obtained a diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in September 2003. He was admitted as a member of the Hong Kong Institute of Housing in August 2005.

Mr. Lam Siu Hung Christopher (林少鴻), aged 62, was appointed as a Director on 16 May 2018 and was designated as an executive Director on 26 June 2018. Mr. Lam is also one of the controlling Shareholders of the Company. He is responsible for regional public property management and supervision of security operations of the Group.

Mr. Lam acted as one of the first directors of Creative Property on 11 September 2000. Mr. Lam has around 30 years of experience in the property management industry. Prior to working in Creative Property, Mr. Lam worked in the Housing Department as a housing officer from April 1988 to July 2001.

Mr. Lam obtained a diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in September 2002. Mr. Lam was admitted as a corporate member of the Chartered Institute of Housing in March 2009. He was also registered as a professional housing manager in the Housing Managers Registration Board in August 2011.

Mr. Wong King Cheung (黃景祥), aged 45, was appointed as a Director on 16 May 2018 and was designated as an executive Director on 26 June 2018. Mr. Wong is also one of the controlling Shareholders of the Company. He is responsible for the overall control of building works and building services operations of the Group.

Mr. Wong was appointed as a director of Creative Property on March 2007. Mr. Wong has around 22 years of experience in the property management industry. He served as a works supervisor in the Housing Department from March 1996 to June 2001.



DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong obtained a diploma in mechanical engineering (plant engineering) from the Vocational Training Council in August 1994. He obtained a higher certificate in building services engineering from the Hong Kong Technical Colleges in July 1996. He also obtained a diploma in business and quality management from the Hong Kong Productivity Council in November 2001. Mr. Wong obtained a higher diploma in building technology and property maintenance management from the Hong Kong College of Technology in June 2002. Mr. Wong obtained a professional diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in August 2011. Mr. Wong was admitted as a chartered member of the Chartered Institute of Housing in January 2012 and was also admitted as a member of the Hong Kong Institute of Housing in April 2012. Mr. Wong was registered as a professional housing manager of the Housing Managers Registration Board in May 2012.

Mr. Lai Wai Man (黎偉文), aged 46, was appointed as a Director on 16 May 2018 and was designated as an executive Director on 26 June 2018. Mr. Lai is also one of the controlling Shareholders of the Company. He is responsible for regional public property management of the Group. Mr. Lai has been the sole director of CIL since 17 May 2018.

Mr. Lai acted as one of the first directors of Creative Property on 11 September 2000. Mr. Lai has around 22 years of experience in the property management industry. Prior to working in Creative Property, Mr. Lai served as a housing officer in the Housing Department from March 1996 to June 2001.

Mr. Lai obtained a continuing education certificate in property management from the City University of Hong Kong in March 1999. He also obtained a diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in September 2003. Mr. Lai was admitted as a chartered member of the Chartered Institute of Housing in January 2008 and the said membership was upgraded to corporate member in February 2008.

Mr. Wu Ka Chai (胡家齊), aged 60, was appointed as a Director on 16 May 2018 and was designated as an executive Director on 26 June 2018. Mr. Wu is also one of the controlling Shareholders of the Company. He is responsible for regional public property management and overall cleaning operations of the Group.

Mr. Wu acted as one of the first directors of Creative Property on 11 September 2000. Mr. Wu has around 25 years of experience in the property management industry. He worked as a housing officer in the Housing Department from October 1993 to June 2001.

Mr. Wu obtained a certificate in accountancy from the Vocational Training Council for completing a two-year part-time evening post-secondary 5 course in July 1991. He also obtained a continuing education certificate in property management from the City University of Hong Kong in June 1999. Mr. Wu obtained a diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in September 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chung Kin Quentin (黃松堅), aged 49, was appointed as an independent non-executive Director on 15 November 2018. He is the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Wong is the founder and the sole proprietor of Quentin Wong & Co. Certified Public Accountants (Practising).

Mr. Wong obtained a bachelor's degree in accounting and financial management from the University of Essex in July 1996. He obtained a master of science degree in internal auditing and management from The City University, London, in July 1998. Mr. Wong has been admitted as a fellow of The Institute of Chartered Accountants in England and Wales since June 2018. He has been admitted as a fellow member of the Taxation Institute of Hong Kong since April 2009, the Society of Chinese Accountants & Auditors since December 2015, the Hong Kong Institute of Certified Public Accountants since February 2011 and the Association of Chartered Certified Accountants since November 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang Yiu Ming (鄧耀明), aged 65, was appointed as an independent non-executive Director on 15 November 2018. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Tang was admitted to the degree of bachelor of education of the University of Nottingham in December 1991. He was further admitted to the degree of master of education of the University of Nottingham in December 1994. Mr. Tang completed a two-year full-time course at Northcote College of Education and was awarded a teacher's certificate of the college in July 1976.

Mr. Wong Si Yuen (王思源), aged 61, was appointed as an independent non-executive Director on 15 November 2018. He is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Wong is currently a director of Texan International Limited and Texan (HK) Limited.

Mr. Wong obtained a general certificate of education in ordinary level and advanced level from Kitson College of Technology, Leeds, in the United Kingdom in June 1978 and June 1980 respectively.

SENIOR MANAGEMENT

Mr. Tang Wai Cheong (鄧偉昌), aged 44, is the area manager of the Group. He joined the Group on 8 July 2004 and is primarily responsible for maintenance management of public and private property. Mr. Tang has around 20 years of experience in the property management industry.

Mr. Tang served as a contract works supervisor in construction in the Housing Authority from July 2000 to February 2003. He then worked as a work supervisor in Simon Kwan & Associates Limited from February 2003 to July 2004.

Mr. Tang obtained a higher diploma in building technology and management and a bachelor of science in building surveying from The Hong Kong Polytechnic University in November 1998 and November 2003 respectively. He also obtained a 42-hour construction safety supervisor course certificate from the Construction Industry Training Authority in July 2006. Mr. Tang obtained a certificate of attainment from the School of Professional Education and Executive Development of The Hong Kong Polytechnic University (PolyU SPEED) for having completed a 168-hour course in occupational safety and health in February 2011. He has also obtained a construction industry safety training certificate issued by the Hong Kong Human Resources Limited with the validity from May 2018 to May 2021.

Ms. Chan Man Yee (陳文儀), aged 50, is the senior area manager of the Group. She joined the Group on 1 October 2004 and is primarily responsible for regional public property management and staff training. Ms. Chan has around 19 years of experience in the property management industry.

Ms. Chan has obtained a professional diploma in real estate administration from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in November 2001. She also obtained a professional diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in September 2005. She was registered as a professional housing manager of the Housing Managers Registration Board in April 2014. She was appointed as a member of the Housing Managers Registration Board since April 2016. Ms. Chan was admitted as a member of the Hong Kong Institute of Housing in April 2014. She was also elected as an ordinary member of the Hong Kong Institute of Real Estate Administrators in October 2014.

Mr. Ho Io Tong (何耀東), aged 54, is the senior area manager of the Group. Mr. Ho is also one of the controlling Shareholders of the Company. He joined the Group on 1 July 2001 and is primarily responsible for public property management and IT operations control of the Group. Mr. Ho has around 24 years of experience in the property management industry.



 DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho obtained a bachelor of arts (advanced) from The University of Manitoba, Manitoba, Canada, in May 1993. He also obtained a diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in September 2003. He further obtained a master of science in facility management from The Hong Kong Polytechnic University in October 2008. Mr. Ho also obtained a certificate of attainment in March 2010 for having completed the 168-hour course in occupational safety and health from the School of Professional Education and Executive Development of The Hong Kong Polytechnic University (PolyU SPEED). He was registered as a professional housing manager of the Housing Managers Registration Board in December 2003. Mr. Ho was also admitted as a member of the Hong Kong Institute of Housing in 2003.

Mr. Wong Yu Wing (王宇榮), aged 38, is the senior area manager of the Group. He joined the Group on 9 August 2011 and is primarily responsible for regional private property management and business development. Mr. Wong has around 14 years of experience in the property management industry.

Mr. Wong obtained a bachelor of arts degree in government and international studies from the Hong Kong Baptist University in November 2004 and a master of arts degree in housing studies from the City University of Hong Kong in July 2011. Mr. Wong was admitted as a corporate member of the Chartered Institute of Housing in November 2011.

Ms. Yu Siu Ling Greta (余少玲), aged 61, is the senior area manager of the Group. She joined the Group on 1 October 2006 and is primarily responsible for regional public property management and the control of supplies. Ms. Yu has around 35 years of experience in the property management industry.

Prior to joining the Group, Ms. Yu worked in the Housing Department from December 1981 to May 2004 first as a housing assistant and her last position as an assistant housing manager and during the period, she was responsible for management duties in public housing estate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



This Environmental, Social and Governance (“**ESG**”) Report provides the performance of the Group in respect of environmental, social and governance for the year ended 31 March 2020. The scope of this report covers the Group’s major operation of property management services in Hong Kong, and has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” contained in Appendix 27 to the Listing Rules. Data in this ESG report are analysed to account for year-on-year changes and presented in a way that allows for consistent comparison.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder engagement is one of the key drivers in the continuous improvement of our ESG performance. To further understand our key stakeholders’ concerns and expectations, and to identify the most relevant ESG aspects of our operation for this report, we maintain ongoing dialogues with our key stakeholders (including employees, Shareholders, customers, residents, suppliers, government authorities and local communities) and regularly collect views from them through a variety of channels, such as meetings, liaison groups, surveys and other feedback programmes. We prioritise our ESG issues based on the results of stakeholder engagement. We identified the material areas that matter most to our stakeholders, and these are reviewed by the Board regularly and reported as below.

This report also summarises the Group’s commitments to the environment, our employees, suppliers, customers and the community. In each section, some of the notable initiatives that were implemented by the Group have been included to illustrate and highlight our efforts in creating shared value for our stakeholders.

ENVIRONMENT

The Group puts great emphasis on our responsibility to the environment. We maintain environmental protection policies in relation to gas emissions, waste generations and discharges into water which states our commitment to protect the environment and minimise the environmental impact attributable to our business operation. We are committed to lower our carbon footprint through emissions reduction initiatives and improve the efficiency of resource use wherever possible.

Emissions

We maintain environmental policies and standards that meet or exceed legal requirements and integrate industry best practices into operations and services. We are committed to lowering our environmental impacts and minimise greenhouse gas (“**GHG**”) emission from daily operations to make sustainable development a reality.

We have been working actively to implement environmental protection measures and combat climate change, such as sourcing environmentally friendly cleaning detergents, distributing degradable trash bags to residents, and maintaining green common areas in housing estates.

We have formulated an environmental policy and defined a strategy to continually improve our environmental performance. On a yearly basis, we measure our GHG emissions and we constantly explore opportunities to reduce such emissions. In addition, we are devoted to foster the awareness in reducing GHG emissions by communicating our policy and strategy with employees, contractors, suppliers, customers and residents.

This year, as a result of business growth with additional public housing estates managed and increase in headcount, total GHG emissions moderately increased to about 1,200 tCO₂e.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste

Our Group recognises the importance of waste management. After careful investigation, we conclude that the amount of hazardous waste generated by our Group's operation is insignificant. For non-hazardous waste, we endeavour to reduce waste generation and encourage recycling. In particular, we encourage our employees to use recycled paper and adopt a paper-less working procedure by encouraging communications through electronic means. Furthermore, recycling bins have been installed in our office premises and we remind our employees to dispose waste to such recycling bins.

The Housing Authority is one of our major customers, and we proactively assist them to carry out various environmental awareness programmes to engage with their residents on waste reduction and recycling activities. In particular, we assisted the Housing Authority to set up recycling bins and facilitate recycling campaigns such as Green Delight in Estates, green carnivals and recycling days.

This year, as a result of business growth with additional public housing estates managed and increase in headcount, total non-hazardous waste generated moderately increased to about 13 tonnes in total.

Use of Resources

We maintain policies on the efficient use of resources and we are committed to use resources in a sustainable way.

Energy

Our Group is committed to reducing resource consumption by aiming for optimal resource use across our businesses. A wide range of efficiency measures have been implemented, such as using energy efficient lighting systems and energy efficient monitors. We regularly promote energy awareness at the workplace by reminding our employees that all electrical equipment should be shut down when they are not in use.

This year, as a result of business growth with additional public housing estates managed and increase in headcount, total energy consumed moderately increased to about 1,900,000 kWh in total.

Water

We believe water conservation is an important element for our environmental management. Practical water-efficient taps and faucets have been installed to save water and reduce consumption. The different levels of water consumption across our premises are closely monitored and we continue to look for opportunities to reduce daily water usage. During the year ended 31 March 2020, the headquarter office and offices at the sites of operations did not encounter any issues in sourcing water for property management purpose.

This year, as a result of business growth with additional public housing estates managed and increase in headcount, total water consumed moderately increased to about 6,100 m³ in total.

Materials

Our Group has established guidelines to minimise material use. We promote internal recycling for used paper and advocate double sided printing at work, and we keep things digital whenever possible to minimise the use of paper. In addition, we source and select environmentally friendly materials for our businesses, such as recycled printing paper, environmentally friendly cleaning detergents and degradable trash bags. Energy efficiency and other environmental impacts are factors taken into account in our procurement practices.

Packaging Material

The office operations and business nature of our Group do not involve any use of packaging materials for finished products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environment and Natural Resources

While our Group operations do not impose any significant direct impact on the environment and natural resources, we are mindful about the possible impacts on the surrounding environment and we continuously assess our environmental risks in response to our environmental impact. In addition to complying with relevant environmental laws and regulations, the Group regularly reviews its environmental policies and adopts any necessary precautionary measures to reduce direct and indirect impact to the environment.

ENVIRONMENTAL KPIS

| Environmental KPIS | Unit | For the year | For the |
|---|----------------------------------|---------------------------|--------------------------------|
| | | ended 31 March 2020 | year ended 31 March 2019 |
| Nitrogen oxides (NO _x) | kg | 56.84 | 58.57 |
| Sulphur oxides (SO _x) | kg | 0.41 | 0.39 |
| Particulate matter (PM) | kg | 5.05 | 5.22 |
| Total greenhouse gas (GHG) emissions | tonne CO _{2e} | 1,164.03 | 1,005.84 |
| Scope 1 — Direct emissions and removals | tonne CO _{2e} | 74.80 | 71.31 |
| Scope 2 — Energy indirect emissions | tonne CO _{2e} | 1,089.23 | 934.53 |
| Total hazardous waste produced | tonne | N/A | N/A |
| Total non-hazardous waste produced | tonne | 12.61 | 11.56 |
| Total energy consumption | kWh | 1,897,767.01 | 1,877,035.14 |
| Total energy consumption intensity | kWh/Revenue HK\$'000 | 2.42 | 2.62 |
| By revenue | | | |
| Total direct energy consumption | kWh | 270,639.01 | 258,127.52 |
| Petrol | kWh | 226,854.50 | 214,858.56 |
| Diesel | kWh | 43,784.51 | 43,268.96 |
| Total direct energy consumption intensity | kWh/Revenue HK\$'000 | 0.35 | 0.36 |
| By revenue | | | |
| Total indirect energy consumption | kWh | 1,627,128.00 | 1,618,907.62 |
| Purchased electricity | kWh | 1,627,128.00 | 1,618,907.62 |
| Total indirect energy consumption intensity | kWh/Revenue HK\$'000 | 2.08 | 2.26 |
| By revenue | | | |
| Water consumption | m ³ | 6,118.00 | 5,893.76 |
| Water consumption intensity | m ³ /Revenue HK\$'000 | 0.01 | 0.01 |
| By revenue | | | |

The increase in overall GHG emissions, non-hazardous wastes produced, energy and water consumed in the year ended 31 March 2020 was due to business growth with additional public housing estates managed and increase in headcount. Nevertheless, with various environmental initiatives implemented by Management offsetting the impact, for comparison purposes both energy and water consumption intensity levels declined in the year ended 31 March 2020.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES

Employment

Our Group has been working actively to bring a motivated and enthusiastic workforce to support our long-term business needs. The primary principle of our businesses is to attract talented employees, provide them with the necessary skills, and engage them with a rewarding career.

We enforce an employment policy of equal opportunities. We strive to be an employer of choice by providing an environment in which all employees are treated fairly and with respect so they can realise their full potential. We embrace diversity where all employees, irrespective of gender, age, disability, pregnancy, nationality, sexual orientation or religious beliefs, would receive the same opportunities; and our recruitment and promotion processes are based on merit and performance. We have an internal policy in place which sets out provisions on handling discrimination, harassment of any kind and victimisation in the workplace.

The internal policy also covers employee compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare. A comprehensive staff handbook, which serves as the basis for our human resources management approach, is issued to all of our employees upon employment.

Remuneration is benchmarked with the market level and adjusted as appropriate to the experience and contributions of each employee. A range of benefit entitlements including discretionary bonuses, medical care, emergency call out and transport allowances are provided. Performance appraisals are conducted annually to fairly measure employees' performance, and results are reflected with salary adjustment, job promotion or equity-based rewards etc. These mechanisms ensure our employees are able to reap from their efforts and be motivated towards future improvement.

We value the views of our employees by holding regular meetings with managers and supervisors, in order to understand the concerns of our employees in areas such as workplace environment, employment policies and challenges encountered during daily operations.

Development and Training

We believe training and development significantly help us in maintaining business competitiveness. Our training programmes are developed by the respective business units and tailored to help enhance our employees' knowledge and performance. Our management and staff were provided with case studies, based on incidents that have occurred in the past, to enhance their management skills and risk management knowledge. In addition, the effects and updates on relevant regulations, customer feedback, and new company policies in operations and accounting were regularly debriefed to our staff to maintain transparency and consistency throughout our operation. To get familiarised with the business culture and operation procedures, employees newly joining our Group would be offered mentorship programmes.

Our Group regularly reviews the level of investment in training and development to ensure that not only adequate resources are being provided, but also the right training and development activities are delivering benefits to both our employees and the business.

Health and Safety

Our Group recognises the importance of the well-being of employees. We seize opportunities to take public health issues into account, and create a safe, healthy and comfortable workplace for all employees in our day-to-day operations. We encourage work-life balance and engage our employees to develop both their physical and emotional wellness.

We have complied with local standards to safeguard our employees from occupational hazards. Manuals have been established to govern the working procedures and conditions of our employees, and all employees are well-aware of these safety measures. Adequate safety equipment such as belts, helmets, truncheons, rubber boots, face masks and rain-wear are provided, and regular inspections are conducted for all safety facilities and systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition to implementing best practices for health and safety, we strengthen the security of the Group's premises and strictly prohibit smoking, and any alcohol and drugs abuse. Across different business locations, an emergency handling plan has been engrained into our operations, and emergency kits are prepared to ensure safety and security readiness in the event of an emergency.

Labour Standards

The Group's operations comply with all applicable regulations, laws and standards in Hong Kong associated with labour, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

We are strongly against the use of child and forced labour. Our management works closely with our Human Resources department to ensure suitable working environments are provided to our employees and prevent the hiring of underage personnel or forced labour, as well as prohibit any unethical practices that may arise.

OPERATING PRACTICES

Supply Chain Management

We work closely with our suppliers and contractors to ensure goals are mutually understood, and expectations are fulfilled through various channels such as meetings, sharing and reporting sessions. Our commitment to the supply chain are embedded within our quality and environmental management systems, which obtained ISO 9001 and ISO 14001 certifications respectively. In addition to the Housing Authority's Procurement and Supplies Instructions that requires the Group to obtain prior approval for procuring products and services that exceed a set amount at the sites of operations, and procurement of supply and subcontractors can only be done from the designated suppliers or subcontractors approved by the Housing Authority, the Group has specified its own approach in managing environmental and social risks of the supply chain and the Company took various measures to manage the environmental and social risks of supply chain, including taking into account of suppliers' environmental and social performance in annual review, identifying environmental and social risks in supply chain and establishing communication channels with suppliers. We request all our suppliers to comply with all applicable laws and regulations where they operate.

We advocate the principle of fair competition to all tender applications while selecting suppliers and contractors. We evaluate the service quality fairly, and conform to the Competition Ordinance (Cap. 619 of the Laws of Hong Kong) and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong). Our employees are also reminded to be aware of any possible corruption and potential conflicts of interests from daily procurement work and the corresponding reporting procedures.

SERVICE RESPONSIBILITY

Service Delivery, Quality Assurance and Resident Safety

With changing customer needs, we are dedicated to improve our services proactively and continually. Our customers place high expectations over ethical behaviour, social and environment-friendly values, safety standards and value-for-money when entering into agreements with us.

We have established a Code of Conduct for employees and operating guidelines on quality assurance, which specify our expectations towards service delivery and quality standards. In addition, we conduct surprise inspections regularly to evaluate the performance of our security guards and cleansing workers. Further, we closely monitor the staffing levels of our frontline operational staff on a daily basis, especially our security guards, cleansing workers and property management officers, to promptly identify and respond to shortfalls that may potentially affect the service quality to our customers and the residents negatively.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a service provider, we also endeavour to maintain a safe and healthy environment for residents and the general public who use and access the housing estates. Regular inspections into the performance of all escalators and lifts have been conducted at all sites of operations, to ensure system reliability and safety of residents. Fire drills are conducted regularly to ensure capability of emergency response in property management, and to raise fire safety awareness among residents. We have been working closely with government departments on the enhancement of residential and communal environment at the sites of operations, for example on pest controls.

Customer and Resident Experience

We put great emphasis on the needs of our customers and residents, and we regularly communicate with them to ensure a high level of service satisfaction. Customers and residents are warmly welcomed to contact us through our website and service hotlines; while comment boxes are provided at our offices for feedback collection.

To continue improving our property management services standards, we have established a number of communication channels to maintain an open dialogue with our customers and residents. We conduct surveys on a regular basis to assess residents' satisfactions, and determine improvement areas to deliver better experiences. On a weekly basis, meetings are held to share residents' views and feedback on estate management matters, such as building maintenance and improvement works, with the Estate Management Advisory Committee, which is a committee set up by our major customer, the Housing Authority to monitor and manage the experience of residents.

Further, we perform regular and ad-hoc inspections to ensure that the quality of the services provided by our subcontractors would constantly meet or exceed our customers' requirements. Our property management teams have over time developed comprehensive standard checklists to internally evaluate the quality of our property management services, covering buildings and public areas which we are responsible for. Any sub-standard performances would be recorded and reported to our management during daily morning briefings, and followed-up promptly by the responsible property management team.

Customer Data Privacy

Our Group values and recognises the importance of personal data protection. We are committed to safeguarding personal data of our customers and the residents, and we have established corresponding policies in handling personal data. In accordance with our Data Privacy Policy, personal data of the residents are kept securely, treated with strict confidentiality and accessible by authorised personnel only. Our IT systems and controls are updated frequently to support the prevention and detection of personal data loss.

In accordance with the provisions of the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and our Personal Information Collection Statement, we collect data from residents for legitimate purposes only, and residents are informed of the purposes of data collection and their consents are obtained. During the reporting period, there were no verified complaints received concerning breaches of personal data privacy or improper disclosure of personal data.

ANTI-CORRUPTION

Our Group values and upholds high standards of business integrity, honesty and transparency in all our business dealings. We have zero-tolerance for corruption, bribery, and fraud. Anti-bribery and anti-corruption standards have been incorporated in our policies and operating practices, which are reinforced periodically to our employees and communicated to relevant stakeholders with dealings with the Group. Our employees are also required to abide by the Code of Conduct and the Travelling, Entertainment and Business Gift Policy. We are fully aware that soliciting or accepting of advantages, as defined in the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong), is a serious crime and may also result in substantial civil liabilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Besides, our whistle-blowing mechanism applies to all stakeholders which allows them to timely voice out their concerns on any acts of misconduct. All cases reported are investigated properly in order to deter future misconducts or improper activities. We do not tolerate any kind of retaliation against those who raise genuine concerns or participate in the investigation. Persons making appropriate complaints under this mechanism are assured of protection against any unfair dismissal, victimisation or unwarranted disciplinary actions, even if their concerns turn out to be unsubstantiated.

During the reporting period, our Group was unaware of any action that was related to corruption, bribery, extortion, fraud and money laundering or any action that was not in compliance with legal regulations.

COMMUNITY INVESTMENT

Our Group believes that fulfilling social responsibility is essential in order to run a successful business. We are always keen to take part in volunteering and charity activities for the benefit of our community. We have participated in the Caring Company Scheme for more than 10 consecutive years in raising public awareness of good corporate citizenship.

In addition, our Group promotes good relationships with communities through a series of social welfare activities. For example, in supporting local sports development, we sponsored a local non-professional football team in Hong Kong; and in helping the underprivileged, we continued to collaborate with a number of charitable organisations in visiting the elderly at different estates and our employees also volunteered on assistance with home renewals.

Besides, our volunteer team of employees is devoted to help alleviating poverty in mainland China. Similar to the prior year, we joined the Hong Kong Housing Manager's Association and the Housing Officer's Association for a visit to Deqing County in Zhejiang this year, where donations were made to orphans, single parents and disabled children. The funds also support students with financial hardship towards their tertiary studies.

REGULATORY COMPLIANCE

The Group observes closely the laws and regulations relevant to our businesses and makes efforts to meeting regulatory compliance. Regulatory frameworks within which the Group operates are analysed and monitored, internal policies are prepared and updated accordingly. Tailor-made workshops are also conducted where necessary so as to strengthen the awareness and understanding of the internal controls and compliance procedures of the Group. During the reporting period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas including environmental protection, employment and labour practices and operating practices.



CORPORATE GOVERNANCE REPORT

The Directors and the management of the Group recognise the importance of sound corporate governance to the long term success and continuing development of the Group. Therefore, the Board is committed to upholding the good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interest and create value for the Shareholders as a whole.

INTRODUCTION

The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “**CG Code**”) as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code from 1 April 2019 and up to 31 March 2020 (the “**Reporting Period**”). The Company will continue to review and enhance its corporate governance practices, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

BOARD OF DIRECTORS

The overall management of the Company’s business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are reviewed by the Board periodically. Approval has to be obtained from the Board prior to any significant transactions entered into by any of the executive Directors and the senior management. The Board has also delegated various responsibilities to the board committees of the Company (the “**Board Committees**”). Further details are set out below in this annual report.

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

The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company’s policies and practices on corporate governance, reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements, and reviewing the Company’s compliance with the CG Code.

Board Composition

The Board is currently comprised of nine Directors, including six executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Poon Kin Leung (*Chairman*)
Mr. Lee Siu Wah Albert (*Chief executive officer*)
Mr. Lam Siu Hung Christopher
Mr. Wu Ka Chai
Mr. Lai Wai Man
Mr. Wong King Cheung

Independent non-executive Directors

Mr. Wong Si Yuen
Mr. Tang Yiu Ming
Mr. Wong Chung Kin Quentin

CORPORATE GOVERNANCE REPORT

During the Reporting Period and up to the date of this annual report, there was no change in the composition of the Board.

The biographical details of the Directors and their relationship (if any) are set out in the section headed "Directors and Senior Management" on pages 21 to 24 of this annual report.

Save as disclosed in the Prospectus and this annual report, to the best knowledge of the Board, there is no relationship (including financial, business, family or other material relationship(s)) among the Board members.

Throughout the Reporting Period to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, accounting for at least one-third of Board, with at least one independent non-executive director possessing the appropriate professional qualification, accounting or related financial management expertise.

Appointment and re-election of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term of three years. Such term is subject to his re-election by the Company at an annual general meeting ("AGM") upon retirement. The Articles of Association of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the members of the Company after his appointment and shall then be subject to re-election at such meeting. Also any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee of the Company is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Poon Kin Leung currently assumes the role of chairman of the Board while Mr. Lee Siu Wah Albert assumes the role of chief executive officer. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquires have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard set out in the Model Code since the Listing Date and up to the date of this annual report. The Company was not aware of any non-compliance with the Model Code by the Directors since the Listing Date and up to the date of this annual report.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

During the year ended 31 March 2020, 6 regular board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.



CORPORATE GOVERNANCE REPORT

The Directors' attendance record of Board meetings during the Reporting Period is as follows:

| Name of Directors | Number of attendance/number of Board meetings |
|---|---|
| Executive Directors | |
| Mr. Poon Kin Leung (<i>Chairman</i>) | 6/6 |
| Mr. Lee Siu Wah Albert (<i>Chief executive officer</i>) | 6/6 |
| Mr. Lam Siu Hung Christopher | 6/6 |
| Mr. Wu Ka Chai | 6/6 |
| Mr. Lai Wai Man | 6/6 |
| Mr. Wong King Cheung | 5/6 |
| Independent non-executive Directors | |
| Mr. Wong Si Yuen | 6/6 |
| Mr. Tang Yiu Ming | 6/6 |
| Mr. Wong Chung Kin Quentin | 6/6 |

Regular Board meetings will be held at least four times a year at approximately quarterly interval, either in person or through electronic means of communication.

Notice of regular Board meetings were served to all Directors at least 14 days before the meetings. For other Board meetings and Board Committees meetings, reasonable notice was generally given. All Directors were provided with relevant materials including meeting schedule and agenda of each meeting in advance before the meeting. Minutes of Board meetings and meetings of Board Committees were kept by the Company Secretary and such minutes were open for inspection at any reasonable time on reasonable notice by any Director.

The Company Secretary was responsible for taking and keeping minutes of all Board meeting and Board Committee meetings. In compliance with the code provision A.15 of the CG Code, minutes of Board meetings and meetings of Board Committees were recorded in sufficient detail covering the matters considered by the Board and decisions reached, including any concerns raised by the Directors, or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

The senior management attended all regular Board meetings and where necessary, other Board meetings and Board Committee meetings to advise on business developments, financial and accounting matters, regulatory compliance matters, corporate governance and other major aspects of the Company.

During the Reporting Period and up to the date of this annual report, one general meeting was held.

CORPORATE GOVERNANCE REPORT

The Directors' attendance record of general meeting during the Reporting Period is as follows:

| Name of Directors | Number of attendance/number of meeting |
|---|--|
| Executive Directors | |
| Mr. Poon Kin Leung (<i>Chairman</i>) | 1/1 |
| Mr. Lee Siu Wah Albert (<i>Chief executive officer</i>) | 1/1 |
| Mr. Lam Siu Hung Christopher | 1/1 |
| Mr. Wu Ka Chai | 1/1 |
| Mr. Lai Wai Man | 1/1 |
| Mr. Wong King Cheung | 1/1 |
| Independent non-executive Directors | |
| Mr. Wong Si Yuen | 1/1 |
| Mr. Tang Yiu Ming | 1/1 |
| Mr. Wong Chung Kin Quentin | 1/1 |

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

BOARD COMMITTEES

The Board established three committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee particular aspects of the Group's affair. Each of the three committees has its defined scope of duties and terms of reference.

The Audit Committee, Nomination Committee and Remuneration Committee are composed of independent non-executive Directors.

The Board Committees have sufficient resources to perform their duties and are able to seek independent professional advice in appropriate circumstances at the Company's expense.

AUDIT COMMITTEE

The Company established the Audit Committee on 15 November 2018 with written terms of reference in line with the provisions under the CG Code. The primary duties of the Audit Committee are (among other things) to review and supervise the financial control, internal control and monitor external auditors and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

The Audit Committee of our Company comprises the three independent non-executive Directors, namely Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen. Mr. Wong Chung Kin Quentin, who has the appropriate professional qualifications, currently serves as the chairman of the Audit Committee.



CORPORATE GOVERNANCE REPORT

During the Reporting Period and up to the date of this annual report, two audit committee meetings were held.

The Audit Committee members' attendance record of the Audit Committee meetings during the Reporting Period is as follows:

| Audit Committee Members | Attendance/number of meetings |
|--|--------------------------------------|
| Mr. Wong Chung Kin Quentin (<i>Chairman</i>) | 2/2 |
| Mr. Wong Si Yuen | 2/2 |
| Mr. Tang Yiu Ming | 2/2 |

Subsequent to the end of the Reporting Period and up to the date of this annual report, a meeting of the Audit Committee was held on 23 June 2020, during which the Audit Committee has, among other things, reviewed the consolidated financial statements of the Group for the year ended 31 March 2020, including the accounting policies and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 15 November 2018 and has formulated its written terms of reference by reference to the CG Code.

The Nomination Committee of our Company comprises the three independent non-executive Directors, namely Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen. Mr. Wong Si Yuen currently serves as the chairman of the Nomination Committee.

The principal responsibility of the Nomination Committee is (among other things) to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible for considering and recommending to the Board suitably qualified candidates to become a member of the Board, monitoring the succession planning of the Directors and assessing the independence of the independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

During the Reporting Period and up to the date of this annual report, one nomination meeting was held.

The Nomination Committee members' attendance record of the Nomination Committee meetings during the Reporting Period is as follows:

| Nomination Committee Members | Attendance/number of meetings |
|--------------------------------------|--------------------------------------|
| Mr. Wong Si Yuen (<i>Chairman</i>) | 1/1 |
| Mr. Wong Chung Kin Quentin | 1/1 |
| Mr. Tang Yiu Ming | 1/1 |

CORPORATE GOVERNANCE REPORT



DIVERSITY POLICY

The diversity policy sets out the approach to achieve diversity on the Board of the Company.

The Group recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at the Board level as an essential element in maintaining a competitive advantage. In order to achieve a diversity of perspectives among members of its Board, the Group considers a number of factors when deciding on appointments to the Board and the continuation of those appointments. The Board considers a range of factors, including but not limited to professional experience, skills, knowledge, cultural and educational background, length of service and the legitimate interests of the Group's principal Shareholders in determining the optimum and balanced composition of the Board. All these factors are considered to be relevant to the Group's business for the reasons stated in the following paragraphs:

A Board with professional experience, skills and knowledge in property management and maintenance is considered essential to maintain long term relationship with our customers and to understand their evolving expectations. It also helps the Group to develop appropriate operating strategies and identify business opportunities. Further, length of service is also a self-evidently important contributor to the quality of the Board's decision making.

A diverse Board composing of different cultural and education background contributes to a greater knowledge base and helps the Group to oversee the business, better manage risks and cope with the changes in the competitive environment.

The Board considers that the Group benefits substantially from the commitment by its Shareholders to its affairs. This commitment is facilitated by those Shareholders being appropriately represented by the Board.

Measurable Objectives

All Board appointments are made on merit and candidates shall be considered against objective criteria in light of the Group's business model and specific needs. The Company endeavours to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption.

Review and Monitoring

The Nomination Committee will review the diversity policy, as appropriate periodically, to ensure it remains relevant to the Group's needs and its effectiveness. The Nomination Committee will discuss any revisions to the diversity policy that may be required and make recommendation to the Board for approval.

The Nomination Committee will also monitor the implementation of the diversity policy by conducting review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the diversity policy when making recommendation on any Board appointments.

NOMINATION POLICY

The nomination policy sets out the approach and procedures the Board adopts for the nomination and selection of directors of the Group, including the appointment of additional Directors, replacement of Directors, and re-election of Directors.

The Group recognises the importance of having a qualified and competent Board to achieve the Group's corporate strategy.



CORPORATE GOVERNANCE REPORT

The Nomination Committee reviews regularly the structure, size and composition of the Board and may make recommendations to the Board on the nominees for appointment as Directors for their consideration and approval. The ultimate responsibility for the selection and appointment of Directors rests with the Board. This nomination policy sets out the nomination procedures and the process and key selection criteria adopted by the Nomination Committee in making such recommendations.

Selection Criteria

The criteria listed below would be used as a reference by the Nomination Committee when selecting a candidate to be nominated for directorship or re-appointment:

- (a) Character and integrity;
- (b) Professional qualifications, skills and knowledge;
- (c) Diversity (Please refer to the Group's Diversity Policy for details); and
- (d) Commitment in respect of time.

These criteria are for reference only and the Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures for New and Replacement Directors

In order to ensure the appointment decisions made are in the best interest of the Group, the following formal and transparent nomination procedures below should be adopted:

- Identifies candidates and prepare proposal as well as their biographical information
- Evaluates candidates against the criteria adopt any appropriate process
- Invites suitable candidates for an interview
- Performs background check and third party reference check
- Provides relevant information to Remuneration Committee
- To determine the terms and conditions of the appointment
- Makes recommendation with the proposed terms and conditions to the Board for approval

Nomination Procedures for Re-Election of Directors and Nomination from Shareholders

Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to the Shareholders prior to a general meeting in accordance with the Listing Rules.

Please refer to the "Procedures for shareholders to propose a director", which is available on the Group's website, for procedures for Shareholders' nomination of any proposed candidate for election as a Director.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting, in accordance with the provisions in the Company's Articles of Association.

Review and Monitoring

The nomination policy has been approved by the Board. The Nomination Committee will review the nomination policy, as appropriate from time to time, to monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and the Listing Rules. The Nomination Committee will discuss any revisions to the nomination policy that may be required and make recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 15 November 2018 and has formulated its written terms of reference by reference to the CG Code.

The Remuneration Committee of our Company comprises the three independent non-executive Directors, namely Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen. Mr. Tang Yiu Ming currently serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are (among other things) (i) to make recommendation to the Board the terms of remuneration packages, (including benefits in kind, pension rights and compensation payments, or any compensation payable, or any compensation payable for loss or termination of their office or appointment) payable to the Directors and senior management; (ii) to make recommendation to the Board on the Company's policy and structure for all remuneration of the Directors and senior management; and (iii) to review the terms of the service contracts of the Directors.

The attendance record of the meetings of the Remuneration Committee during the Reporting Period are as follows:

| Name of members of the Remuneration Committee | Number of attendance/number of meetings |
|---|---|
| Mr. Tang Yiu Ming (<i>Chairman</i>) | 1/1 |
| Mr. Wong Si Yuen | 1/1 |
| Mr. Wong Chung Kin Quentin | 1/1 |

DIRECTORS' REMUNERATION

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Directors' fees and all other emoluments paid or payable to the Directors during the year are set out on an individual and named basis in note 10 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE ON INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation regarding his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are independent.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that the Directors keep abreast of the relevant industry knowledge and skills as well as regulatory updates.



CORPORATE GOVERNANCE REPORT

The Directors are regularly briefed on the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on the professional knowledge and the latest development of the regulatory requirements related to director's duties and responsibilities.

All Directors confirmed that they had complied with code provision A.6.5 of the Code during the Reporting Period, that all Directors had participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminar to develop professional skills. The Company Secretary is responsible for maintaining and updating records for the Directors' training sessions.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the consolidated financial statements for the year ended 31 March 2020.

The Board is responsible to present a balanced, clear and understandable assessment in the Company's annual and interim report, price-sensitive announcement and other financial disclosures required under the Listing Rules and other requirements from relevant regulatory. The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information.

AUDITORS' REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 March 2020, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company, in respect of their audit services and non-audit services for the Group was as follows:

| Categories of Services | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Audit services | | |
| Audit in relation to the listing of shares of the Company | — | 1,976 |
| Annual audit and interim review services | 1,600 | 1,940 |
| Non-audit services | — | 508 |
| | 1,600 | 4,424 |

COMPANY SECRETARY

Mr. LEUNG Man Fai (梁文輝), aged 63, was appointed as the company secretary of the Company on 16 May 2018. Mr. Leung graduated from Manchester Polytechnic, the United Kingdom with a degree of Bachelor of Arts in Accounting and Finance awarded by the Council for National Academic Awards of the United Kingdom in July 1988. He also obtained a degree of Master of Commerce in Accounting from the University of New South Wales in May 1990. Mr. Leung has been the director of IBC Certified Public Accountants Limited since August 2008 up to present. He also worked in Lerado Group (Holding) Company Limited (currently known as Lerado Financial Group Company Limited) (Stock Code: 1225) as the company secretary from September 2010 to July 2014. Mr. Leung has been a member of the HKICPA since 1991. Mr. Leung Man Fai has taken no less than 15 hours of relevant professional training for the year ended 31 March 2020.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGM shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders and other stakeholders can make any enquiry in respect of the Company in writing to our Head Office at Units E & F, 25/F, Block 2 Vigor Industrial Building, 49–53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

CONSTITUTIONAL DOCUMENTS

For the Reporting Period, there was no significant change in the Company's constitutional documents.

RISK MANAGEMENT AND INTERNAL CONTROL

Supported by the Audit Committee, the Board acknowledges its responsibility in evaluating and determining the nature and extent of risks it is willing to take in achieving the Group's business objectives. While management is responsible for the design, implementation and monitoring of the risk management and internal systems, the Board owns the overall responsibility in ensuring the appropriateness and effectiveness of the systems on an ongoing basis.

The Group has established an enterprise risk management framework, with policies and procedures in place to identify, assess, manage, monitor and report on risks. A risk assessment exercise is performed annually through questionnaires and interviews with senior management to identify and evaluate significant risks of the Group. These identified risks are prioritised based on the likelihood of their occurrence and the significance of their impact on the Group's business. Moreover, remedial actions or mitigation control measures are developed to manage these risks to an acceptable level. The risk assessment results including the identified risks, their related risk impact, likelihood ratings and risk mitigating actions are registered and reported, and the Group's risk exposures are continuously monitored by the Board and also reported to the Audit Committee periodically.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives, hence provide reasonable, but not absolute, assurance against material misstatement or loss in the consolidated financial statements. The Group's internal control system comprises of clearly defined lines of responsibility and authority. Regular reviews are conducted, which cover all material controls, including financial, operational and compliance controls, on a rotational basis. On an annual basis, the Board receives confirmations from management on the effectiveness of the risk management and internal control systems.



CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Group has performed an internal control review where observations and recommendations had been summarised and reported to the Audit Committee and the Board. Management is committed and will continue to take steps to follow up on the status of the agreed remedial actions with process owners. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for external reporting, and ensuring compliance with applicable laws, rules and regulations. There were no material internal control defects reported during the Reporting Period.

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance (“SFO”) and the Listing Rules. To prevent possible mishandling of inside information and conflicts of interest within the Group, stringent internal structures have been designed and safeguards on the handling and dissemination of inside information have been implemented. An inside information handling procedure has been established to lay down practical guidelines on the identification, reporting and disclosure of inside information. All members of the Board, senior management, executives, and staff are bound by this and the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

For the Reporting Period, the Board, supported by the annual review of the Audit Committee, considers that (i) the Group’s risk management and internal control systems are effective and adequate, and the Group has complied with the provisions on risk management and internal control as set forth in the CG Code; and that (ii) the resources, qualifications, experience, training programmes, and budget of the accounting, financial reporting and outsourced internal audit functions of the Group are adequate.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and the Shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual and interim reports, notices, announcements and circulars, the Company’s website at www.cpsc.hk and meetings with Shareholders and investors. News update of the Group’s business development and operation are also available on the Company’s website.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders of the Company has made an annual declaration to the Company to the year ended 2020, he/it and his/its associates have complied with the terms of the non-competition undertakings (“**Non-Competition Undertakings**”) given in favour of the Company on 27 September 2018. Details of the Non-Competition Undertakings are set out in the section headed “Relationship with the Controlling Shareholders” of the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling shareholders with the Non-Competition Undertakings and as far as the independent non-executive Directors can ascertain, there is no breach of any of the Non-Competition Undertakings.

DIVIDEND POLICY

In determining dividend payment, it is our policy to consider the financial performance of the Group and the need to maintain adequate cash reserves for meeting working capital needs and financing future business growth. The Board may recommend interim, final or special dividend payments from time to time after considering these factors. Periodically, the Board will review the Dividend Policy to assess its suitability.

REPORT OF THE DIRECTORS



The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

SHARE OFFER

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 16 May 2018. The Shares were listed on the Main Board of the Stock Exchange on 11 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its principal subsidiaries are principally engaged in the provision of property management services and other related services in Hong Kong for both public and private properties. The activities and particulars of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

RESULTS

The consolidated results of the Group for the year ended 31 March 2020 are set out on pages 58 to 113 of this annual report.

DIVIDENDS

As set out under the paragraph headed "Dividends" in the section headed "Management Discussion and Analysis" of this report, the Board does not recommend the payment of final dividends by the Company for the year ended 2020 (2019: Nil).

CHARITABLE DONATIONS

During the year ended 31 March 2020, the Group made charitable donations amounting to HK\$58,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2020 and the discussion regarding the future business development of the Group are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from our Company's audited consolidated financial statements and the Prospectus, is set out on page 114 of this annual report. This summary does not form part of the audited consolidated financial statements.

RISKS AND UNCERTAINTIES

An analysis of the Group's financial risk management (including credit risk, interest rate risk and liquidity risk) are provided in note 3 to the consolidated financial statements. Other risks facing the Group are set out in the section headed "Risk Factors" of the Prospectus.



REPORT OF THE DIRECTORS

ANALYSIS USING FINANCIAL KEY PERFORMANCE INDICATORS

The analysis of the Group's performance for the year ended 31 March 2020 with key financial performance indicators is set out under the paragraphs headed "Financial Review" and "Capital Structure, Liquidity and Financial Resources" in the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises its responsibility to protect the environment from its business operation. In the provision of property management and related services, the Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise the impacts if possible. For instance, the Group sources environmentally friendly cleaning detergents, distributes degradable trash bags to residents and maintains green common areas in housing estates.

Besides, the Group also upholds the idea of environmental protection and energy conservation in its workplace with the support of its employees through the use of energy efficient lighting systems, energy efficient monitors and the installation of recycling bins. Information on the environmental policies and performance of the Company is set out in the section of "Environmental, Social and Governance Report" on pages 25 to 31 of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws and regulations in Hong Kong and regularly reviews the existing staff benefits for improvement.

The Group maintains a good relationship with its customers and suppliers. The Group keeps close contacts with the customers and regularly reviews their requirements and complaints. The Group will conduct appraisal of the performance of the suppliers on regular basis.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

SEGMENT INFORMATION

Details of the segment information of the Group for the year ended 31 March 2020 are set out in note 5 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVE

Details of the movements in reserves during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity.

REPORT OF THE DIRECTORS



SHARES ISSUED

Details of the shares issued for the year ended 31 March 2020 are set out in note 20 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the paragraph headed "Share Option Scheme" on page 50 of this report, the Company has not entered into any equity-linked agreement for the year ended 31 March 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 March 2020 are set out in note 14 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at the balance sheet date are set out in note 22 to the consolidated financial statements.

DIRECTORS

The composition of the Board during the year ended 31 March 2020 and up to the date of this annual report is as follows:

Executive Directors

Mr. POON Kin Leung (*Chairman*)
Mr. LEE Siu Wah Albert
Mr. LAM Siu Hung Christopher
Mr. WONG King Cheung
Mr. LAI Wai Man
Mr. WU Ka Chai

Independent Non-Executive Directors

Mr. WONG Chung Kin Quentin
Mr. TANG Yiu Ming
Mr. WONG Si Yuen

Pursuant to article 84 of the Articles of Association of the Company, at least one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring director shall be eligible for re-election. Accordingly, Mr. Wong Chun Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong King Cheung shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 21 to 24 of this annual report.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company with an initial term of three years effective from the Listing Date. Any executive Directors or the Company may terminate the contract by a prior written notice of at least three months. The appointment of an executive Director shall be in accordance with the requirements on directors' retirement by rotation under the Articles of Association of the Company.

Each of the independent non-executive Directors has signed a letter of appointment with the Company with an initial term of three year commencing from the Listing Date. In accordance with their respective letters of appointment, the independent non-executive Directors are entitled to receive a fixed amount of director's emoluments. Relevant appointment shall be in accordance with the requirements on directors' retirement by rotation under the Articles of Association of the Company and applicable Listing Rules.

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

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that, amongst others, the Directors and other officers of the Company acting or who have acted in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers of the Company and its subsidiaries were in force during the year ended 31 March 2020 and remained in force as of the date of this annual report. The insurance coverage will be reviewed on an annual basis.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save for the respective service agreements with each of the executive Directors and letters of appointment with each of the independent non-executive Directors, no transactions, arrangements or contracts of significance to which the Company, its holding company or their subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year ended 31 March 2020.

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, chief executive and the five highest paid individuals of the Group are set out in notes 8(b) and 10 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in notes 8(a) and 24 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year under review, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

ARRANGEMENT TO ACQUIRE SHARES OF DEBENTURES

Other than share option scheme mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2020, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in Shares or Underlying Shares in the Company

| Name of Director | Nature of interest/Capacity | As at 31 March 2020 | |
|------------------------------|---|---------------------------------------|--|
| | | Number of Shares held (L) (Note 1) | Approximate percentage of shareholding |
| Mr. Lee Siu Wah Albert | Interest of a controlled corporation (Note 2) | 267,562,500 | 53.51% |
| Mr. Poon Kin Leung | Interest of a controlled corporation (Note 2) | 267,562,500 | 53.51% |
| Mr. Wu Ka Chai | Interest of a controlled corporation (Note 2) | 267,562,500 | 53.51% |
| Mr. Lai Wai Man | Interest of a controlled corporation (Note 2) | 267,562,500 | 53.51% |
| Mr. Lam Siu Hung Christopher | Interest of a controlled corporation (Note 2) | 267,562,500 | 53.51% |
| Mr. Wong King Cheung | Interest of a controlled corporation (Note 2) | 267,562,500 | 53.51% |



REPORT OF THE DIRECTORS

Notes:

1. The letter "L" denotes long position in ordinary Shares in the Company.
2. The Company is directly owned as to 53.51% (being 267,562,500 Shares) by Genesis Group Limited ("GGL"). The issued shares of GGL are owned as to approximately 17.17%, 16.26%, 14.02%, 11.21%, 10.51%, 7.00%, 7.00%, 6.31%, 5.61% and 4.91% by Mr. Lee Siu Wah Albert, Mr. Poon Kin Leung, Mr. Wu Ka Chai, Mr. Lai Wai Man, Mr. Wong Wai Hung, Mr. Ho lo Tong, Mr. Lam Siu Hung Christopher, Mr. Tang Kin Sing, Mr. Wong King Cheung and Mr. Poon Sing Chit respectively. Pursuant to the Acting in Concert Confirmation, each of the said persons confirm their acting-in-concert agreement. Under the SFO, each of Mr. Lee Siu Wah Albert, Mr. Poon Kin Leung, Mr. Wu Ka Chai, Mr. Lai Wai Man, Mr. Wong Wai Hung, Mr. Ho lo Tong, Mr. Lam Siu Hung Christopher, Mr. Tang Kin Sing, Mr. Wong King Cheung and Mr. Poon Sing Chit is taken to be interested in the Shares beneficially owned by GGL.

(ii) Interest in associated corporation

| Name of Director | Name of associated corporation | Nature of interest/Capacity | As at 31 March 2020 | |
|---------------------------------|--------------------------------|-----------------------------|-------------------------------------|--|
| | | | Number of shares held (L) (Note) | Approximate percentage of shareholding |
| Mr. Lee Siu Wah Albert | Genesis Group Limited | Beneficial owner | 1,225 | 17.17 |
| Mr. Poon Kin Leung | Genesis Group Limited | Beneficial owner | 1,160 | 16.26 |
| Mr. Wu Ka Chai | Genesis Group Limited | Beneficial owner | 1,000 | 14.02 |
| Mr. Lai Wai Man | Genesis Group Limited | Beneficial owner | 800 | 11.21 |
| Mr. Lam Siu Hung Christopher | Genesis Group Limited | Beneficial owner | 500 | 7.00 |
| Mr. Wong King Cheung | Genesis Group Limited | Beneficial owner | 400 | 5.61 |

Note: The letter "L" denotes long position in ordinary shares in the company.

Save as disclosed above and to the best knowledge of the Directors, as at 31 March 2020, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as our Directors are aware, as at 31 March 2020, the following persons/entities (other than the Directors or chief executive) had an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

| Name of Shareholder | Nature of interest/Capacity | As at 31 March 2020 | |
|--------------------------------------|--------------------------------------|---------------------------------------|--|
| | | Number of Shares held (L) (Note 1) | Approximate percentage of shareholding |
| GGL (Note 2) | Beneficial owner | 267,562,500 | 53.51% |
| Ms. Chiu Yuet Ying Jennifer (Note 3) | Interest of spouse | 267,562,500 | 53.51% |
| Ms. Poon Tang Hou Chi (Note 4) | Interest of spouse | 267,562,500 | 53.51% |
| Ms. Chiu Shuk Yi Lydia (Note 5) | Interest of spouse | 267,562,500 | 53.51% |
| Ms. Wong Pui Yan (Note 6) | Interest of spouse | 267,562,500 | 53.51% |
| Mr. Wong Wai Hung | Interest of a controlled corporation | 267,562,500 | 53.51% |
| Ms. Lai Kam Ho Rose (Note 7) | Interest of spouse | 267,562,500 | 53.51% |
| Mr. Ho lo Tong | Interest of a controlled corporation | 267,562,500 | 53.51% |
| Ms. Cheng Shun Wa Esther (Note 8) | Interest of spouse | 267,562,500 | 53.51% |
| Ms. Kwok Kuen (Note 9) | Interest of spouse | 267,562,500 | 53.51% |
| Mr. Tang Kin Sing | Interest of a controlled corporation | 267,562,500 | 53.51% |
| Ms. Ma Wai Kwan (Note 10) | Interest of spouse | 267,562,500 | 53.51% |
| Ms. Lam Siu Fong (Note 11) | Interest of spouse | 267,562,500 | 53.51% |
| Mr. Poon Sing Chit | Interest of a controlled corporation | 267,562,500 | 53.51% |
| Ms. Chan Miu Hung (Note 12) | Interest of spouse | 267,562,500 | 53.51% |
| Ms. So Yee Nga Eva | Beneficial owner | 32,812,500 | 6.56% |

Notes:

- The letter "L" denotes long position in ordinary Shares in the Company.
- The issued shares of GGL are owned as to approximately 17.17%, 16.26%, 14.02%, 11.21%, 10.51%, 7.00%, 7.00%, 6.31%, 5.61% and 4.91% by Mr. Lee Siu Wah Albert, Mr. Poon Kin Leung, Mr. Wu Ka Chai, Mr. Lai Wai Man, Mr. Wong Wai Hung, Mr. Ho lo Tong, Mr. Lam Siu Hung Christopher, Mr. Tang Kin Sing, Mr. Wong King Cheung and Mr. Poon Sing Chit respectively. Pursuant to the Acting in Concert Confirmation, each of the said persons confirm their acting-in-concert agreement. Under the SFO, each of Mr. Lee Siu Wah Albert, Mr. Poon Kin Leung, Mr. Wu Ka Chai, Mr. Lai Wai Man, Mr. Wong Wai Hung, Mr. Ho lo Tong, Mr. Lam Siu Hung Christopher, Mr. Tang Kin Sing, Mr. Wong King Cheung and Mr. Poon Sing Chit is taken to be interested in the Shares beneficially owned by GGL.
- Ms. Chiu Yuet Ying Jennifer is the spouse of Mr. Lee Siu Wah Albert. Under the SFO, she is taken to be interested in the Shares in which Mr. Lee Siu Wah Albert is interested.
- Ms. Poon Tang Hou Chi is the spouse of Mr. Poon Kin Leung. Under the SFO, she is taken to be interested in the Shares in which Mr. Poon Kin Leung is interested.
- Ms. Chiu Shuk Yi Lydia is the spouse of Mr. Wu Ka Chai. Under the SFO, she is taken to be interested in the Shares in which Mr. Wu Ka Chai is interested.
- Ms. Wong Pui Yan is the spouse of Mr. Lai Wai Man. Under the SFO, she is taken to be interested in the Shares in which Mr. Lai Wai Man is interested.



REPORT OF THE DIRECTORS

7. Ms. Lai Kam Ho Rose is the spouse of Mr. Wong Wai Hung. Under the SFO, she is taken to be interested in the Shares in which Mr. Wong Wai Hung is interested.
8. Ms. Cheng Shun Wa Esther is the spouse of Mr. Ho Io Tong. Under the SFO, she is taken to be interested in the Shares in which Mr. Ho Io Tong is interested.
9. Ms. Kwok Kuen is the spouse of Mr. Lam Siu Hung Christopher. Under the SFO, she is taken to be interested in the Shares in which Mr. Lam Siu Hung Christopher is interested.
10. Ms. Ma Wai Kwan is the spouse of Mr. Tang Kin Sing. Under the SFO, she is taken to be interested in the Shares in which Mr. Tang Kin Sing is interested.
11. Ms. Lam Siu Fong is the spouse of Mr. Wong King Cheung. Under the SFO, she is taken to be interested in the Shares in which Mr. Wong King Cheung is interested.
12. Ms. Chan Miu Hung is the spouse of Mr. Poon Sing Chit. Under the SFO, she is taken to be interested in the Shares in which Mr. Poon Sing Chit is interested.

Save as disclosed herein, as at 31 March 2020, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

There was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling Shareholder of the Company, or any of its subsidiaries, during the year ended 31 March 2020.

SHARE OPTION SCHEME

A share option scheme was conditionally adopted on 15 November 2018 (the “**Share Option Scheme**”), which became effective on the date of Listing. The Share Option Scheme is a share incentive scheme and is established to reward the contributions that the eligible participants (as defined in the Prospectus) (including but not limited to any employee, director, supplier, customer, adviser, consultant, shareholder, partner or joint-venture partner of the Group or any entity in which any member of the Group holds an equity interest) had or may have made to the Group.

Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the date of Listing (i.e. 50,000,000 Shares) unless approved by the Shareholders and the total number of the Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being unless approved by the Shareholders. Subject to early termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

REPORT OF THE DIRECTORS



The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share. Further details of the Share Option Scheme are set out in the section headed "4. Share Option Scheme" in Appendix IV to the Prospectus.

For the year ended 31 March 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2020.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company and the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

CONNECTED TRANSACTIONS

So far as the Directors and chief executive are aware, no non-exempt connected transactions or continuing connected transactions were entered into by the Group during the year ended 31 March 2020.

Details of the related party transactions of the Group during the year ended 31 March 2020 respectively are set out in note 29 to the consolidated financial statements. The related party transactions disclosed in note 29 to the consolidated financial statements are connected transactions or continuing connected transactions that were fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of such connected transactions.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's largest customer, the Housing Authority, accounted for 75.2% of the Group's total revenue. The Group's five largest customers accounted for 84.4% of the Group's total revenue.



REPORT OF THE DIRECTORS

In the year under review, the Group's largest supplier accounted for 32.8% of the Group's total procurement. The Group's five largest suppliers accounted for 77.9% of the Group's total procurement.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on 18 August 2020, the register of members of the Company will be closed from 13 August 2020 to 18 August 2020 (both days inclusive), during which no transfer of Shares will be registered.

Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates are lodged with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 12 August 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued share as at the latest practicable date prior to the issue of this annual report.

CORPORATE GOVERNANCE

The details of the Company's corporate governance practices are set out in the section headed "Corporate Government Report" on pages 32 to 42 of this report.

INTEREST OF COMPLIANCE ADVISER

Neither Zhongtai International, the then compliance adviser of the Group for year ended 31 March 2020, nor its directors, employees or associates had any interests in relation to the Company as at 31 March 2020.

REPORT OF THE DIRECTORS



EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed "Management Discussion and Analysis" of this annual report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The annual results of the Company for the year ended 31 March 2020 had been reviewed by the Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen, with Mr. Wong Chung Kin Quentin as the chairman of the Audit Committee.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offered themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting. A resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Poon Kin Leung

Chairman and Executive Director

Hong Kong, 26 June 2020



INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Creative Enterprise Holdings Limited*(incorporated in the Cayman Islands with limited liability)***OPINION****What we have audited**

The consolidated financial statements of Creative Enterprise Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 113, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

The key audit matter identified in our audit relates to the recoverability of receivables.

Key Audit Matter

How our audit addressed the Key Audit Matter

Recoverability of receivables

Refer to note 17 to the consolidated financial statements

The Group has net trade receivables from private estates and reimbursement receivables of HK\$43,753,000 after provision for impairment of HK\$1,784,000 as at 31 March 2020.

Receivables of the Group mainly relate to the services provided as part of the Group's property management and related services business. Expected credit losses ("ECL") provisions are made for the receivables grouped on shared credit risk characteristics and for individual receivables where such receivables are subject to different credit risk characteristics. Management estimated the ECL rate for the receivables by assessing the probability of default based on the historical default rate, and adjusted for forward-looking estimates, such as expected significant changes in the general economic environment.

Management judgment is required in assessing the ECL rate for the receivables grouped on shared credit risk characteristics and individual receivables that are subject to different credit risk characteristics.

Our audit procedures included understanding and evaluating the Group's internal controls over the receivables process. Specifically, we validated the key management controls designed and implemented over the review of recoverability of receivables.

We obtained a list of outstanding trade receivables and reimbursement receivables from private estates, identifying debtors with different credit risk through discussion with management and through review of the ageing of receivables. We also assessed and challenged management's assessment of the ECL rates and tested these, on a sample basis, to historical payment pattern of debtors, to the latest correspondence with debtors and to external market data on market conditions.

We tested, on a sample basis, the accuracy of ageing of receivables by agreeing the age of receivables to sales invoices.

We tested, on a sample basis, the subsequent settlement of receivables after the balance sheet date by agreeing the receivables settled to sales invoices and bank statements.

Based on our audit procedures performed, we found the key judgements and assumptions used by management in the recoverability assessment of receivables to be supportable based on the available evidence.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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 judgment 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.

INDEPENDENT AUDITOR'S REPORT

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2020



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|--|-------|------------------|------------------|
| Revenue | 6 | 783,935 | 715,807 |
| Other income and gains, net | 7 | 215 | 807 |
| Employee benefits expenses | 8 | (647,909) | (578,797) |
| Subcontracting costs | | (55,770) | (67,013) |
| Other operating expenses | | (43,125) | (38,175) |
| Listing expenses | | — | (12,338) |
| Operating profit | 9 | 37,346 | 20,291 |
| Finance income | | 130 | 46 |
| Finance costs | | (544) | (1,595) |
| Finance costs, net | 11 | (414) | (1,549) |
| Profit before income tax | | 36,932 | 18,742 |
| Income tax expense | 12 | (7,013) | (5,385) |
| Profit for the year | | 29,919 | 13,357 |
| Other comprehensive loss: | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Remeasurements of employee benefit obligations | 24 | (8,142) | (4,123) |
| Other comprehensive loss for the year, net of tax | | (8,142) | (4,123) |
| Total comprehensive income for the year | | 21,777 | 9,234 |
| Earnings per share | | | |
| Basic and diluted earnings per share (expressed in HK\$ cents) | 13 | 5.98 | 3.23 |

The notes on pages 64 to 113 are an integral part of the 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 | 20,754 | 21,426 |
| Right-of-use assets | 15 | 1,102 | — |
| Investment in insurance contracts | 16 | 27,119 | 24,278 |
| Trade and other receivables | 17 | 3,604 | 2,373 |
| Deferred tax assets | 23 | 192 | 87 |
| | | 52,771 | 48,164 |
| Current assets | | | |
| Trade and other receivables | 17 | 205,166 | 173,988 |
| Tax recoverable | | — | 1,621 |
| Pledged bank deposits | 18 | 45,212 | 39,095 |
| Cash and bank balances | 19 | 89,664 | 97,689 |
| | | 340,042 | 312,393 |
| Total assets | | 392,813 | 360,557 |
| EQUITY | | | |
| Share capital | 20 | 5,000 | 5,000 |
| Share premium | | 111,783 | 111,783 |
| Reserves | | 165,748 | 143,971 |
| Total equity | | 282,531 | 260,754 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 22 | — | 277 |
| Lease liabilities | | 543 | — |
| Long service payment liabilities | 24 | 20,066 | 13,149 |
| Deferred tax liabilities | 23 | 21 | — |
| | | 20,630 | 13,426 |

The notes on pages 64 to 113 are an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------------------------|-------|------------------|------------------|
| Current liabilities | | | |
| Trade and other payables | 21 | 66,829 | 57,634 |
| Borrowings | 22 | 21,269 | 27,778 |
| Lease liabilities | | 506 | — |
| Tax payable | | 790 | 441 |
| Amounts due to related parties | 29 | 258 | 524 |
| | | 89,652 | 86,377 |
| Total liabilities | | 110,282 | 99,803 |
| Total equity and liabilities | | 392,813 | 360,557 |

The consolidated financial statements on pages 58 to 113 were approved by the Board of Directors on 26 June 2020 and were signed on its behalf.

Poon Kin Leung
Director

Lee Siu Wah Albert
Director

The notes on pages 64 to 113 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

Attributable to the equity holder of the Company

| | Share capital | Share premium | Retained earnings | Capital reserve | Property revaluation reserve | Total equity |
|--|-----------------------|-----------------------|----------------------|-----------------|------------------------------------|-----------------|
| | HK\$'000 (Note 20) | HK\$'000 (Note 20) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance at 1 April 2018 | — | — | 139,061 | 100 | 676 | 139,837 |
| Profit for the year | — | — | 13,357 | — | — | 13,357 |
| Other comprehensive income: | | | | | | |
| Remeasurements of employee benefit obligations (Note 24) | — | — | (4,123) | — | — | (4,123) |
| Transfer of property revaluation reserve on disposal of an investment property | — | — | 676 | — | (676) | — |
| Total comprehensive income | — | — | 9,910 | — | (676) | 9,234 |
| Transactions with equity holders: | | | | | | |
| Issuance of shares upon incorporation (Note 20(a), (b)) | 10 | — | — | (10) | — | — |
| Issuance of shares pursuant to the Reorganisation (Note 20(b)) | 90 | — | — | (90) | — | — |
| Capitalisation issue of shares (Note 20(d)) | 3,650 | (3,650) | — | — | — | — |
| Share issued pursuant to the share offer (Note 20(e)) | 1,250 | 123,750 | — | — | — | 125,000 |
| Listing expenses charged to share premium (Note 20(e)) | — | (8,317) | — | — | — | (8,317) |
| Dividend paid (Note 30) | — | — | (5,000) | — | — | (5,000) |
| | 5,000 | 111,783 | (5,000) | (100) | — | 111,683 |
| Balance at 31 March 2019 | 5,000 | 111,783 | 143,971 | — | — | 260,754 |

The notes on pages 64 to 113 are an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

| | Attributable to the equity holder of the Company | | | |
|---|--|--|-------------------------------|--------------------------|
| | Share capital HK\$'000 (Note 20) | Share premium HK\$'000 (Note 20) | Retained earnings HK\$'000 | Total equity HK\$'000 |
| Balance at 1 April 2019 | 5,000 | 111,783 | 143,971 | 260,754 |
| Profit for the year | — | — | 29,919 | 29,919 |
| Other comprehensive loss: Remeasurements of employee benefit obligations (Note 24) | — | — | (8,142) | (8,142) |
| Total comprehensive income | — | — | 21,777 | 21,777 |
| Balance at 31 March 2020 | 5,000 | 111,783 | 165,748 | 282,531 |

The notes on pages 64 to 113 are an integral part of the 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 generated from operations | 26(a) | 15,329 | 143 |
| Hong Kong profits tax paid | | (5,127) | (9,348) |
| Net cash generated from/(used in) operating activities | | 10,202 | (9,205) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (1,472) | (553) |
| Proceeds from disposal of property, plant and equipment | | 15 | — |
| Proceeds from disposal of an investment property | | — | 9,000 |
| Increase in pledged deposits | | (5,987) | (29,498) |
| Deposit paid for insurance contracts | 16 | (2,413) | (2,413) |
| Deposit paid for acquisition of property, plant and equipment | | (902) | — |
| Net cash used in investing activities | | (10,759) | (23,464) |
| Cash flows from financing activities | | | |
| Drawdown of bank borrowings | | 88,629 | 160,015 |
| Repayment of bank borrowings | | (100,035) | (172,889) |
| Repayment of finance lease liabilities | | — | (652) |
| Repayment of principal portion of lease liabilities | | (308) | — |
| Repayment of loan from a related party | | — | (1,800) |
| Interest paid | | (544) | (1,595) |
| Advance from related parties | | — | 282 |
| Repayment (to)/from related parties | | (266) | 78 |
| Dividend paid | 30 | — | (5,000) |
| Issuance of shares | 20(e) | — | 125,000 |
| Payment for professional fee in connection with initial public offerings capitalised to equity | | — | (7,128) |
| Net cash (used in)/generated from financing activities | | (12,524) | 96,311 |
| Net (decrease)/increase in cash and cash equivalents | | (13,081) | 63,642 |
| Cash and cash equivalents at beginning of the year | | 97,450 | 33,808 |
| Cash and cash equivalents at end of the year | 19 | 84,369 | 97,450 |

The notes on pages 64 to 113 are an integral part of the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Creative Enterprise Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 May 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management and related services in Hong Kong. The ultimate holding company of the Company is Genesis Group Limited ("GGL") which is incorporated in the British Virgin Islands.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the 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 principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA are set out below. The consolidated financial statements have been prepared under the historical cost convention, except that investment in insurance contracts are stated at its cash surrender value, as explained in Note 3 below.

Pursuant to the group reorganisation as set out in the section headed "History, Reorganisation and Group Structure" in the Company's listing prospectus dated 29 November 2018 ("Prospectus"), which was completed on 27 September 2018 (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 December 2018. The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of preparation (Continued)****2.1.1 New and amended standards adopted by the Group**

The Group has adopted the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019.

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

Except for the adoption of HKFRS 16 as described in Note 2.2 below, the adoption of these amendments and interpretation does not have any significant impact on the consolidated financial statements of the Group.

2.1.2 New standards and amendments and interpretations to existing standards that are not yet effective

Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group:

| | | Effective for annual periods beginning on or after |
|---|--|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material | 1 January 2020 |
| Amendments to HKAS 39, HKFRS 7 and HKFRS 9 | Interest Rate Benchmark Reform | 1 January 2020 |
| Amendments to HKFRS 3 (Revised) | Definition of a Business | 1 January 2020 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be announced |
| Conceptual Framework for Financial Reporting 2018 | | 1 January 2020 |

The directors of the Company are in the process of assessing the financial impact on the Group of the adoption of the above new standards and amendments to existing standards. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.2 Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 16 Leases ("HKFRS 16") on the Group's consolidated financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. Accordingly, no adjustments were recognised to the opening balance of retained earnings at the date of initial application. The new accounting policies are disclosed in Note 2.7.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as finance leases under the principles of HKAS 17 Leases ("HKAS 17"). The Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Group applied the practical expedient permitted by the standard that allow the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases. Once a lease arrangement is regarded as a short-term lease as defined in the standard, a lessee may elect not to recognise a right-of-use asset and a lease liability in relation to the lease arrangement.

Since the remaining lease term of all operating leases of the Group as at 1 April 2019 are less than 12 months, the Group has elected not to recognise lease liabilities and associated right-of-use assets of these leases on adoption of HKFRS 16.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, the Group relied on its assessment made by applying HKAS 17, for contracts entered into before the transition date.

2.3 Subsidiaries**Consolidation**

A subsidiary is an entity (including a structured entity) 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

Consolidation (Continued)

(i) Business combination (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 executive directors that make strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated 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 is presented in HK\$ which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss within "other income and gains, net".

2.6 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate cost over their estimated useful lives as follows:

| | |
|------------------------------|-----------------------------|
| Leasehold land and buildings | 50 years |
| Leasehold improvements | Over the lease term |
| Motor vehicles | 5 years/over the lease term |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |

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 (Note 2.8).

Gains or losses on disposal are determined by comparing proceeds with carrying amount and are recognised as "other income and gains, net" in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Leases

As explained in Note 2.2 above, the Group has changed its accounting policies for leases where the Group is the lessee. The new policies are described below and the impact of the changes in Note 2.2.

Until the financial year ended 31 March 2019, leases of assets where the Group had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's commencement at lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment was allocated between the liability and finance costs so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, were included in current and non-current borrowings. The finance cost was recognised in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases were carried at cost less accumulated depreciation and impairment. They were depreciated over the shorter of the useful life of the assets and the lease term.

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

From 1 April 2019, leases are recognised as a right-of-use asset (including land use rights which are presented within property, plant and equipment as "leasehold land" in the consolidated statement of financial position) and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.7 Leases** (Continued)

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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases 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.

2.8 Impairment of non-financial assets

Assets that are subject to 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

(i) Classification

The Group classifies its financial assets as those to be measured at amortised cost.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification of debt instruments depends on the entity's business model for managing financial assets and the contractual terms of the cash flows.

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

(ii) Recognition and measurement

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

(a) 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. Assets that are held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest are measured at amortised cost. The Group subsequently measured all debt instruments at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income and is recognised on a time-proportion basis using the effective interest rate method.

2.10 Impairment of financial assets

The Group assess on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial liabilities

(i) **Classification and measurement**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(ii) **Derecognition**

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 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 fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statements of financial position.

2.15 Share capital

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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 payables are classified as current liabilities if 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.

2.17 Borrowings and borrowing costs

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "other income and gains, net" or "finance costs".

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.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.18 Current and deferred income tax (Continued)****(ii) 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 income tax liabilities are not recognised if they arise from the 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 statements of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

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 tax 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.

2.19 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 the employees up to the end of the reporting period.

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

(ii) Pension obligations

The Group contributes to a defined contribution retirement benefit plan, the Mandatory Provident Fund scheme (MPF) in Hong Kong, the assets of which are generally held in separate trustee administered funds.

A defined contribution retirement benefit plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution retirement benefit plan are charged to profit or loss in the period incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(iii) Long service payments

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method by a qualified actuary, discounted to its present value. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses of long service payments provision are recognised immediately in other comprehensive income in the period in which they occur. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(iv) Share-based payment

The Group operates an equity-settled, share-based payment plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specific period of time).

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.20 Provisions and contingent liabilities (Continued)**

Provisions are measured at the present value of the expenditures expected to be required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

Revenue are recognised when or as the control of the services or goods is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the services or goods may transfer over time or at a point in time. Control of the services or goods is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- do 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.

If control of the services or goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

An entity is a principal if it controls the promised good or service before transferring it to the customer. An entity is an agent if its role is to arrange for another entity to provide the good or service. The Group considers it is a principal in providing its services.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

- (i) **Property management services income, security services income and cleaning services income**
For property management services income, security services income and cleaning services income, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.
- (ii) **Project management services income for maintenance works under property management service contracts**
Project management services income is recognised based on the stage of completion of the works order, measured by reference to the promotion that costs incurred to date under repair, maintenance or building work contracts carried out by external consultants or contractors, bear to estimated total costs for each contract, provided that the stage of completion and gross billing value of the works order can be measured reliably.
- (iii) **Window inspection services income and secondment services income**
Window inspection services income and secondment services income are recognised when the services are rendered and in accordance with the terms of agreements. The Group is paid a monthly service income for the services rendered at rates which are predetermined in the contracts.

2.22 Government grant

A government grant is recognised at fair value where there is reasonable assurance that the Group will comply with the conditions attaching it and that the grant will be received. Government grants relating to income are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

2.23 Dividend distribution

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

2.24 Investment in insurance contracts

The management life insurance contracts of the Group include both investment and insurance elements. The investment insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract (cash surrender value) at the end of each reporting period, with changes in value being recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use financial derivative to hedge its financial risk exposures.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Credit risk

Credit risk mainly arises from cash and bank balances, pledged bank deposits, trade receivables, other receivables, deposits, and retention money receivables. The carrying amounts of these balances in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group maintains a defined credit policy for its customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

Majority of the Group's bank balances and pledged bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors is assessed based on the financial position of the debtors as well as past experience of the Group in dealing with respective debtors. The Group's historical experience in collection of deposits and receivables falls within recorded allowance, if necessary, and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

As at 31 March 2020, the Group has concentration of credit risk as 79% (2019: 78%) of the total trade receivables were due from the Group's largest customer. This customer is a government body which develops and implements public housing programmes.

Management does not expect any significant losses to be incurred from non-performance by these counterparties because of their good repayment history.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

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 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. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- actual or expected significant changes in the operating results of customers
- significant increases in credit risk on other financial instruments of customers
- significant changes in the expected performance and behavior of the customers, including changes in the payment status of customers in the Group and changes in the operating results of the customers.

(i) Trade and unbilled receivables and retention money receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables (excluding receivables from public estates).

As at 31 March 2020, the Group has assessed that the expected loss rate for trade and unbilled receivables from public estates was immaterial. Thus no loss allowance provision for trade and unbilled receivables from public estates was recognised during the year ended (2019: Nil).

As at 31 March 2020, all retention money receivables are due from a government body. The Group has assessed that the expected loss rate for retention money receivables was immaterial, no loss allowance provision was recognised during the year ended (2019: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)**

(a) Credit risk (Continued)

(i) Trade and unbilled receivables and retention money receivables (Continued)

To measure the expected credit losses of trade receivables from private estates, trade receivables have been grouped on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 March 2020 and 2019 were determined as follows, the expected credit losses below also incorporated forward looking information. The Group assesses on a forward looking basis the expected credit losses associated with the receivables from customers in private sectors in accordance with HKFRS 9. When the Group determines the expected credit loss rate, the Group considers the probability of default based on the historical default rate, and is adjusted for forward-looking estimates, such as expected significant changes in general economic environment and the business operation of the Group. Based on available information, the Directors conclude that there was no material adverse change in the default rate, the general economic environment and the business operation of the Group throughout both years ended and foreseeable future. Accordingly, the Directors have applied same expected loss rate throughout both years ended.

| | Up to 30 days | 31 to 90 days | 91 to 180 days | Over 180 days | Total |
|--|------------------|------------------|-------------------|------------------|--------|
| Trade receivables (excluding receivables from public estates) | | | | | |
| At 31 March 2020 | | | | | |
| Expected loss rate | 0.10% | 0.50% | 2.00% | 5.00% | |
| Gross carrying amount (HK\$'000) | 15,494 | 10,840 | 3,124 | 9,438 | 38,896 |
| Loss allowance provision (HK\$'000) | 15 | 54 | 62 | 473 | 604 |
| Individually impaired receivables (HK\$'000) | — | — | — | 774 | 774 |
| Total loss allowance provision (HK\$'000) | 15 | 54 | 62 | 1,247 | 1,378 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)**

(a) Credit risk (Continued)

(i) Trade and unbilled receivables and retention money receivables (Continued)

| | Up to 30 days | 31 to 90 days | 91 to 180 days | Over 180 days | Total |
|--|------------------|------------------|-------------------|------------------|--------|
| Trade receivables (excluding receivables from public estates) | | | | | |
| At 31 March 2019 | | | | | |
| Expected loss rate | 0.10% | 0.50% | 2.00% | 5.00% | |
| Gross carrying amount (HK\$'000) | 11,410 | 14,915 | 1,487 | 7,913 | 35,725 |
| Loss allowance provision (HK\$'000) | 11 | 75 | 30 | 396 | 512 |
| Individually impaired receivables (HK\$'000) | — | — | — | 855 | 855 |
| Total loss allowance provision (HK\$'000) | 11 | 75 | 30 | 1,251 | 1,367 |

For the year ended 31 March 2020, there are two individual receivables (2019: three) from private estates which have higher credit risk characteristics and therefore grouped under a same group for the impairment assessment. Accordingly, the trade receivables and reimbursement receivables of approximately HK\$774,000 and HK\$406,000 respectively (2019: HK\$855,000 and HK\$406,000 respectively) have been fully provided for loss allowance.

The loss allowance provision for trade receivables from private estates as at 31 March 2020 and 2019 reconciles to the opening loss allowance for that provision as follows:

| Trade receivables (excluding receivables from public estates) | |
|--|--------------|
| HK\$'000 | |
| At 1 April 2018 | 1,020 |
| Provision for loss allowance recognised in profit or loss | 347 |
| At 31 March 2019 | 1,367 |
| Provision for loss allowance recognised in profit or loss | 11 |
| At 31 March 2020 | 1,378 |

For the year ended 31 March 2020 and 2019, the provision for loss allowances were recognised in profit or loss in other operating expenses in relation to the impaired trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)****(a) Credit risk (Continued)***(i) Trade and unbilled receivables and retention money receivables (Continued)*

As at 31 March 2020, the gross carrying amount of trade receivables (excluding receivables from public estates), reflecting the maximum exposure to credit risk, was approximately HK\$39,670,000 (2019: HK\$36,580,000) respectively.

(ii) Other receivables

Other financial assets at amortised cost represent other receivables.

As set out in Note 3.1(a)(i), a provision of loss allowance of approximately HK\$406,000 aged over 180 days was recognised for the year ended 31 March 2018 based on the credit risk assessment on the reimbursement receivable balance with a single customer from private estate.

Except for the above, as at 31 March 2020 and 2019, the internal credit rating of other receivables were performing. The Group considered customers having a low risk of default and a strong capacity to meet contractual cash flows as performing. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised during both years ended.

The maximum exposure to loss of other receivables at the reporting date was the carrying amount disclosed in Note 17. The Group made no write-off of trade and other receivables during both years ended.

(b) Interest rate risk

Other than the pledged bank deposits, bank balances and borrowings, the Group has no other significant interest-bearing assets and liabilities. The Group's pledged bank deposits and bank balances earn interest at floating rates. Also, borrowings of the Group are at floating rates which expose the Group to cash flow interest rate risk. The Group does not enter into derivatives to address either cash flow or fair value interest rate risks.

During the year ended 31 March 2020, if the interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK\$567,000 (2019: HK\$546,000) higher/lower, respectively mainly as a result of higher/lower net finance cost on floating rate pledged bank deposits, bank balances and borrowings.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet their liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end dates). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| | Within 1 year/ repayable on demand HK\$'000 | Between 1 and 5 years HK\$'000 | Total contractual cash flows HK\$'000 | Carrying amount HK\$'000 |
|---|---|--------------------------------------|--|--------------------------------|
| At 31 March 2020 | | | | |
| Trade and other payables | 54,541 | — | 54,541 | 54,541 |
| Borrowings | 21,269 | — | 21,269 | 21,269 |
| Lease liabilities | 538 | 565 | 1,103 | 1,049 |
| Amounts due to related parties | 258 | — | 258 | 258 |
| | 76,606 | 565 | 77,171 | 77,117 |
| | Within 1 year/ repayable on demand HK\$'000 | Between 1 and 5 years HK\$'000 | Total contractual cash flows HK\$'000 | Carrying amount HK\$'000 |
| At 31 March 2019 | | | | |
| Trade and other payables | 48,231 | — | 48,231 | 48,231 |
| Borrowings, excluding finance lease liabilities | 28,295 | — | 28,295 | 27,619 |
| Finance lease liabilities | 173 | 287 | 460 | 436 |
| Amounts due to related parties | 524 | — | 524 | 524 |
| | 77,223 | 287 | 77,510 | 76,810 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.2 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The capital structure of the Group consists of shareholders' equity and borrowings. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the market and sustain future development of the business. The Company monitors capital on the basis of net gearing ratio. This ratio is calculated as net cash divided by total capital. Net cash is calculated as total borrowings less cash and bank balances. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net cash.

The gearing ratios as at 31 March 2020 and 2019 are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Total borrowings (Notes 22) | 21,269 | 28,055 |
| Less: cash and bank balances (Note 19) | (89,664) | (97,689) |
| Net cash | (68,395) | (69,634) |
| Total equity | 282,531 | 260,754 |
| Total capital | 214,136 | 191,120 |
| Net gearing ratio | N/A | N/A |

As at 31 March 2020, the Group maintained a net cash position of HK\$68,395,000 (2019: HK\$69,634,000), thus no net gearing ratio is presented.

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. See Note 22 for the disclosure of borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. 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.

(a) Impairment of trade and unbilled receivables and other receivables

The Group makes provision for impairment of trade and unbilled receivables and other receivables based on an assessment of the recoverability of the receivables. Provisions are applied to trade and unbilled receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of trade and unbilled receivables and other receivables and loss for the impairment of trade and unbilled receivables and other receivables are recognised in the year in which such estimates have been changed.

(b) Estimation of defined benefit pension obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

Details of key assumptions and impact of possible changes in key assumptions are disclosed in Note 24.

(c) Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Such estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

5 SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision-makers ("CODM") of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of operating profit.

The Group is engaged in the provision of property management and related services in Hong Kong. Since the CODM considers all business is included in a single operating segment and the operation of provision of property management and related services is attributable to all of the Group's revenue, and all of the results and assets during the year ended 31 March 2020, no operating segment analysis is presented accordingly (2019: Same).

Geographical information

The Group's revenue is derived from customers in Hong Kong. All the assets of the Group were also located in Hong Kong as at 31 March 2020 and 2019. Accordingly, no analysis by geographical information is provided.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)**Information about major customer**

The Group's largest customer contributes revenue amounting to approximately HK\$589,446,000 (2019: HK\$539,364,000) for the year ended 31 March 2020.

No other single customers contributed 10% or more to the Group's revenue for the year ended 31 March 2020 (2019: Nil).

6 REVENUE

Revenue represents income from (i) property management services; (ii) provision of security services and cleaning services and (iii) provision of staff secondment services. An analysis of the Group's revenue is as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Property management services income | 616,330 | 568,629 |
| Income from the provision of security services | 148,454 | 140,090 |
| Income from the provision of cleaning services | 18,311 | 4,024 |
| Secondment service income | 840 | — |
| Window inspection services | — | 3,064 |
| | 783,935 | 715,807 |

All of the Group's revenue are recognised over time.

The Group has a right for consideration from customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date for all its service contracts, the entity recognised revenue in the amount to which the entity has a right to invoice or based on the stage of completion. In accordance with HKFRS 15, the transaction price allocated to these unperformed contracts related to service contracts or those contracts with remaining contract period less than one year are exempted for disclosure. As a result, the Group has made no disclosure on the transaction price allocated to these unperformed contracts.

7 OTHER INCOME AND GAINS, NET

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Gain/(loss) on disposal of property, plant and equipment | 15 | (111) |
| Fair value gain on an investment property | — | 800 |
| Subsidy income from Anti-Epidemic Fund | 200 | — |
| Others | — | 118 |
| | 215 | 807 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFITS EXPENSES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Wages, salaries and other allowances (including directors' emoluments) | 618,446 | 553,589 |
| Pension costs — defined contribution plan (<i>Note (a)</i>) | 25,407 | 22,865 |
| Accrual for unutilised annual leave | 2,885 | 1,481 |
| Provision for long service payment (<i>Note 24</i>) | 1,171 | 862 |
| | 647,909 | 578,797 |

(a) Pensions — defined contribution plans

The Group operates defined contribution scheme in Hong Kong which comply with all the respective requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of HK\$18,000 per year. No forfeited contribution is available to reduce the contribution payable in the future years.

(b) Five highest paid individuals

For the year ended 31 March 2020, the five individuals whose emoluments were the highest in the Group include one director (2019: two), whose emolument was reflected in the analysis presented in Note 10 to the consolidated financial statements. The emoluments paid to the remaining individuals are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Basic salaries and allowances | 2,848 | 2,170 |
| Discretionary bonuses | 38 | 27 |
| Employer's contribution to defined contribution plan | 72 | 54 |
| | 2,958 | 2,251 |

The emoluments of the remaining individuals above fell within the band of nil – HK\$1,000,000 during the year ended 31 March 2020 (2019: Same).

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any for the five highest paid individuals during the year ended 31 March 2020 (2019: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EXPENSES BY NATURE

Profit before income tax is stated after charging the following items:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Auditor's remuneration | 1,600 | 1,940 |
| Cleaning material costs | 8,807 | 7,646 |
| Depreciation of property, plant and equipment (Note 14) | 1,651 | 1,816 |
| Depreciation of right-of-use assets (Note 15) | 312 | — |
| Donation | 58 | 1,202 |
| Employee benefits expenses (Note 8) | 647,909 | 578,797 |
| Insurance fee | 8,525 | 7,028 |
| Legal and professional fees | 4,212 | 1,509 |
| Listing expenses | — | 12,338 |
| Allowance for impairment of trade and other receivables (Note 17) | 11 | 347 |
| Subcontracting costs | 55,770 | 67,013 |
| Operating lease payments | — | 234 |
| Rental expenses relating to short-term leases | 398 | — |

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director for the year ended 31 March 2020 is set out below:

| | Fees HK\$'000 | Basic salaries and allowance HK\$'000 | Discretionary bonuses HK\$'000 | Employer's contribution to a retirement benefit scheme HK\$'000 | Total HK\$'000 |
|--|------------------|--|--------------------------------------|---|-------------------|
| For the year ended 31 March 2020 | | | | | |
| Executive directors | | | | | |
| Poon Kin Leung | — | 825 | 19 | 18 | 862 |
| Lee Siu Wah Albert | — | 558 | 14 | 18 | 590 |
| Lam Siu Hung Christopher | — | 573 | 14 | 18 | 605 |
| Wong King Cheung | — | 540 | 10 | 18 | 568 |
| Lai Wai Man | — | 480 | 11 | 18 | 509 |
| Wu Ka Chai | — | 477 | 12 | 18 | 507 |
| Independent non-executive directors | | | | | |
| Wong Chung Kin Quentin | 180 | — | — | — | 180 |
| Tang Yiu Ming | 180 | — | — | — | 180 |
| Wong Si Yuen | 180 | — | — | — | 180 |
| | 540 | 3,453 | 80 | 108 | 4,181 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 BENEFITS AND INTERESTS OF DIRECTORS (Continued)**(a) Directors' emoluments (Continued)**

The remuneration of each director for the year ended 31 March 2019 is set out below:

| | Fees HK\$'000 | Basic salaries and allowance HK\$'000 | Discretionary bonuses HK\$'000 | Employer's contribution to a retirement benefit scheme HK\$'000 | Total HK\$'000 |
|--|------------------|--|--------------------------------------|---|-------------------|
| For the year ended 31 March 2019 | | | | | |
| Executive directors | | | | | |
| Poon Kin Leung | 120 | 665 | 15 | 15 | 815 |
| Lee Siu Wah Albert | 96 | 543 | 11 | 14 | 664 |
| Lam Siu Hung Christopher | 72 | 616 | 12 | 16 | 716 |
| Wong King Cheung | 72 | 420 | 8 | 15 | 515 |
| Lai Wai Man | 72 | 469 | 9 | 16 | 566 |
| Wu Ka Chai | 72 | 466 | 10 | 17 | 565 |
| Independent non-executive directors | | | | | |
| Wong Chung Kin Quentin | 55 | — | — | — | 55 |
| Tang Yiu Ming | 55 | — | — | — | 55 |
| Wong Si Yuen | 55 | — | — | — | 55 |
| | 669 | 3,179 | 65 | 93 | 4,006 |

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees of the Group and all executive directors waived the directors' fee during the year ended 31 March 2020 (2019: Nil).

No emoluments were paid by the Company or the Group to the directors as an inducement to join the Company or the Group, or as compensation for loss of office during the year ended 31 March 2020 (2019: Nil).

(b) Directors' retirement benefits

No retirement benefits were paid to the directors of the Company or the Group during the year ended 31 March 2020 (2019: Nil) by a defined contribution plan operated by the Company in respect of their services as directors of the Company. Save for the retirement benefits paid to certain directors in respect of their other services in connection with the management of the affairs of the Company or the Group disclosed in (a) above, no other retirement benefits were paid to the directors in respect of their other services of the Group during the year ended 31 March 2020 (2019: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 March 2020 (2019: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2020, the Company or the Group did not pay any consideration to any third parties for making available the services of themselves as directors of the Company or the Group (2019: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 BENEFITS AND INTERESTS OF DIRECTORS (Continued)**(e) Directors' material interests in transactions, arrangements or contracts**

Save for transactions disclosed elsewhere in the notes to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Company's or the Group's business to which the Company or the Group was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended.

11 FINANCE COSTS, NET

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Bank interest income | 130 | 46 |
| Interests on borrowings | (512) | (1,000) |
| Interests on finance lease liabilities | — | (43) |
| Interests on lease liabilities | (32) | — |
| Guarantee fees to shareholders (Note 29(b)) | — | (552) |
| | (544) | (1,595) |
| | (414) | (1,549) |

12 INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year, except for the first HK\$2 million of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the two-tiered tax rate regime with effect from the year of assessment 2018–2019.

The amount of income tax charged to the consolidated statement of comprehensive income represents:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|----------------------------------|------------------|------------------|
| Current income tax | | |
| — Provision for current tax | 6,628 | 5,593 |
| — Under provision in prior years | 469 | — |
| Deferred income tax (Note 23) | (84) | (208) |
| | 7,013 | 5,385 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE (Continued)

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

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax | 36,932 | 18,742 |
| Calculated at the Hong Kong Profits Tax rate | 5,929 | 2,927 |
| Income not subject to taxation | (159) | (230) |
| Expenses not deductible for taxation purposes | 786 | 2,631 |
| Tax losses not recognised | — | 57 |
| Utilisation of previously unrecognised tax losses | (12) | — |
| Under provision in prior years | 469 | — |
| | 7,013 | 5,385 |

13 EARNINGS PER SHARE — BASIC AND DILUTED**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 27 September 2018 and the Capitalisation Issue (as defined in Note 20) which took place on 11 December 2018.

| | 2020 | 2019 |
|---|-------------|---------|
| Profit attributable to owners of the Company (HK\$'000) | 29,919 | 13,357 |
| Weighted average number of ordinary shares in issue (thousands) | 500,000 | 413,014 |
| Basic earnings per share (HK\$ cents) | 5.98 | 3.23 |

(b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 31 March 2020 (2019: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK\$'000 <i>(Note (i), (ii))</i> | Leasehold improvements HK\$'000 | Motor vehicles HK\$'000 <i>(Note (iii))</i> | Furniture and fixtures HK\$'000 | Office equipment HK\$'000 | Total HK\$'000 |
|---|--|---|--|---|---|--------------------------|
| Cost | | | | | | |
| At 1 April 2018 | 17,217 | 2,253 | 2,946 | 2,989 | 3,180 | 28,585 |
| Additions | — | — | 322 | — | 553 | 875 |
| Disposal | — | — | (362) | — | — | (362) |
| At 31 March 2019, as previously reported | 17,217 | 2,253 | 2,906 | 2,989 | 3,733 | 29,098 |
| Effects of the adoption of HKFRS 16 | — | — | (825) | — | — | (825) |
| At 1 April 2019, as restated | 17,217 | 2,253 | 2,081 | 2,989 | 3,733 | 28,273 |
| Additions | — | 714 | 210 | — | 548 | 1,472 |
| Disposal | — | — | (152) | — | — | (152) |
| At 31 March 2020 | 17,217 | 2,967 | 2,139 | 2,989 | 4,281 | 29,593 |
| Accumulated depreciation | | | | | | |
| At 1 April 2018 | (1,011) | (76) | (1,525) | (1,198) | (2,297) | (6,107) |
| Depreciation charge | (344) | (45) | (495) | (556) | (376) | (1,816) |
| Disposal | — | — | 251 | — | — | 251 |
| At 31 March 2019, as previously reported | (1,355) | (121) | (1,769) | (1,754) | (2,673) | (7,672) |
| Effects of the adoption of HKFRS 16 | — | — | 332 | — | — | 332 |
| At 1 April 2019, as restated | (1,355) | (121) | (1,437) | (1,754) | (2,673) | (7,340) |
| Depreciation charge | (344) | (47) | (294) | (545) | (421) | (1,651) |
| Disposal | — | — | 152 | — | — | 152 |
| At 31 March 2020 | (1,699) | (168) | (1,579) | (2,299) | (3,094) | (8,839) |
| Net book value | | | | | | |
| At 31 March 2020 | 15,518 | 2,799 | 560 | 690 | 1,187 | 20,754 |
| At 31 March 2019 | 15,862 | 2,132 | 1,137 | 1,235 | 1,060 | 21,426 |

Notes:

- (i) Included in leasehold land and buildings, there is a right-of-use asset which is depreciated over the shorter of the asset's useful life and lease term on a straight-line basis.
- (ii) Land and buildings with carrying values of approximately HK\$15,518,000 (2019: HK\$15,862,000), as at 31 March 2020, were pledged to secure the banking facilities of the Group, which include performance bonds and loan facilities granted to the Group as set out in Note 22(a) to the consolidated financial statements.
- (iii) As at 31 March 2019, motor vehicles of net book values of approximately HK\$493,000 where the Group is a lessee, were under non-cancellable finance lease agreements. The lease terms were five years.

From 1 April 2019, leased assets are presented as a separate line item in the consolidated statement of financial position (Note 15). See Note 2.2 for further information about the changes in accounting policy for leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 RIGHT-OF-USE ASSETS

| | Buildings HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|--|-----------------------|----------------------------|-------------------|
| Net book value at 1 April 2019, as previously reported | — | — | — |
| Effects of the adoption of HKFRS 16 | — | 493 | 493 |
| Net book value at 1 April 2019, as restated | — | 493 | 493 |
| Additions | 580 | 341 | 921 |
| Depreciation charge (Note 9) | (97) | (215) | (312) |
| Net book value at 31 March 2020 | 483 | 619 | 1,102 |

The Group leases various offices and motor vehicles for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 5 years. The lease arrangements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased assets may not be used as security for borrowing purposes.

16 INVESTMENT IN INSURANCE CONTRACTS

| | HK\$'000 |
|---|---------------|
| Balance as at 1 April 2018 | 21,397 |
| Addition | 2,413 |
| Net increase in cash surrender value credited to profit or loss | 468 |
| Balance as at 31 March 2019 | 24,278 |
| Addition | 2,413 |
| Net increase in cash surrender value credited to profit or loss | 633 |
| Exchange difference | (205) |
| Balance as at 31 March 2020 | 27,119 |

Investment in insurance contracts represent life insurance policies for key management staff (the "Insurance Policies"). The Group is the beneficiary of the Insurance Policies. As at 31 March 2020, the Insurance Policies of approximately HK\$12,589,000 (2019: HK\$12,297,000) were pledged to a bank to secure certain banking facilities of the Group, which include performance bonds and loan facilities granted to the Group as set out in Note 22(a) to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Non-current: | | |
| Retention money receivables (<i>Note i</i>) | 2,702 | 2,373 |
| Deposit for property, plant and equipment | 902 | — |
| | 3,604 | 2,373 |
| Current: | | |
| Trade and unbilled receivables | 189,505 | 165,639 |
| Less: allowance for impairment | (1,378) | (1,367) |
| Trade and unbilled receivables — net (<i>Note ii</i>) | 188,127 | 164,272 |
| Reimbursement receivables (<i>Note iii</i>) | 5,867 | 6,504 |
| Less: allowance for impairment | (406) | (406) |
| Reimbursement receivables — net | 5,461 | 6,098 |
| Utilities and other deposits | 1,028 | 413 |
| Prepayments | 3,779 | 3,125 |
| Other receivables | 6,771 | 80 |
| Total prepayments, deposits and other receivables | 17,039 | 9,716 |
| | 205,166 | 173,988 |
| Total trade and other receivables | 208,770 | 176,361 |

Notes:

- (i) In accordance with the service contracts with the customer and the common practice in the industry, the customer withholds a portion of the payments in relation to the project management services for maintenance works under property management service contracts rendered by the Group as retention money. The retention money normally represents 5% of the service income of the project management services for maintenance works and is accumulated until the sum retained reaches the limit stated in the service contracts. The retention money will be released to the Group according to the terms of conditions of the service contracts. The balances are regularly reviewed by management with reference to the credit history of customers and the current market condition. There is no history of forfeiture and default of these balances during the year ended 31 March 2020 (2019: Nil). The carrying amounts of retention money receivables approximate their fair values, and the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (ii) The trade receivables are generally on credit terms ranging from 14 to 60 days.

Details of trade and unbilled receivables are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Trade and unbilled receivables — public estates | 149,835 | 129,059 |
| Trade receivables — private estates | 39,670 | 36,580 |
| | 189,505 | 165,639 |
| Less: allowance for impairment | (1,378) | (1,367) |
| Trade and unbilled receivables — net | 188,127 | 164,272 |

The following is an aging analysis of trade and unbilled receivables, presented based on the invoice date at the end of the reporting period:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Unbilled (<i>Note</i>) | 17,452 | 17,371 |
| Trade receivables: | | |
| Less than 1 month | 68,524 | 57,724 |
| 1 month and less than 3 months | 84,789 | 78,203 |
| 3 months and less than 6 months | 8,504 | 3,356 |
| Over 6 months | 10,236 | 8,985 |
| | 172,053 | 148,268 |
| Total trade and unbilled receivables | 189,505 | 165,639 |

Note: Unbilled receivables include receivables for project management fees for work performed but yet to be billed; and the project management fees to be billed for completed project management services for maintenance works under property management service contracts. Billings to customers will normally be issued when the contractors for the maintenance work submit their final billings. These balances are reviewed regularly by management. No allowance for impairment of unbilled receivables is considered necessary by the directors with reference to the historical experience in collection of these balances once billed and the financial capability of the customer.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the year ended 31 March 2020, additional provision of approximately HK\$11,000 (2019: HK\$347,000) were made against the gross amounts of trade receivables (Note 9).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(ii) (Continued)

Included in trade receivables aged over 180 days as at 31 March 2020 was an amount of approximately HK\$6,026,000 (2019: HK\$6,026,000) due from the incorporated owners of a private estate (the "IO"), of which the Group became the manager and provided property management services since 1 February 2011. The IO failed to settle invoices from the Group for a period from May 2016 to May 2017 and a period from September 2017 to November 2017. Due to the IO's continued breach, the Group ceased to provide property management services to the private estate after November 2017. On 23 November 2017, the Group filed its statement of claim against the IO, claiming for the outstanding service fees in a total sum of approximately HK\$6,026,000.

On 18 January 2018, the IO filed its defence and counterclaim, pursuant to which, although the IO admitted that they are obliged to pay for most of the items contained in the invoices of the Group which the IO ought to settle, the IO alleged that (i) the Group breached its duty as a property manager to provide the IO with the proper books and records of account and other financial records and statements of the IO in a timely manner, which caused the IO to be unable to determine its financial position, and (ii) the Group wrongfully retained the documents belonging to the IO in respect of the management and administration of the private housing estate after the termination of the service agreement in November 2017. The IO further alleged that it suffered loss and damage due to the said breach of duty of the Group and thus sought for the set-off and counterclaim (the "Counterclaim"). However, the IO did not particularise the loss and damage in the defence and counterclaim.

Expert directions are granted on 15 May 2020, and the Case Management Summons was fixed on 15 October 2020. There is hence no judgement/settlement yet.

The Directors are of the view that (i) the Counterclaim raised by the IO are untrue and are bare allegations; and (ii) Group had duly provided the IO with the relevant books and records of account and other financial records and statements of the IO and returned to the IO all the documents belonging to the IO which were in the Group's possession after the termination of the services.

Given that: (i) it was not denied that the Group had provided and the IO had enjoyed the property management services; (ii) the IO did settle some of the invoices; and (iii) it is not evident how the alleged breach of duty of the Group, if found, could cause actual loss and damage on the IO, the Group's legal counsel opined that the Group has a strong case in claiming the outstanding service fees in a total sum of approximately HK\$6,026,000 against the IO. As a result, no provision has been made for this balance.

Further, the Group has taken out a professional liability insurance in respect of the breach of duty arising from or in connection with its provision of property management services in housing estates in Hong Kong (the "Professional Indemnity Policy"). Based on (i) the provisions in the Professional Indemnity Policy and (ii) the relevant insurer's confirmation letter to the Group that the Counterclaim would be covered under the Professional Indemnity Policy, the Group's legal counsel opined that the Group's liability to the Counterclaim, if any, will be covered by the Professional Indemnity Policy.

(iii) Reimbursement receivables represent receivables from customers for the claim for disbursements.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables and deposits mentioned above. The Group does not hold any collateral as security.

The carrying amounts of retention money receivables, trade and unbilled receivables, other receivables, and deposits approximate their fair values. Trade and other receivables and deposits are denominated in HK\$.

18 PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities of the Group, which include performance bonds and loan facilities granted to the Group as set out in Note 22(a) to the consolidated financial statements. The Group's pledged bank deposits are denominated in HK\$ and earn interest at a rate between 0.1% to 0.5% as at 31 March 2020 (2019: 0.25% to 0.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 CASH AND BANK BALANCES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---------------------------------|------------------|------------------|
| Cash at banks and on hand | 89,664 | 97,689 |
| Maximum exposure to credit risk | 89,520 | 97,584 |

Cash at banks earns interest income of floating rates based on daily bank deposit rates and mainly denominated in HK\$.

Cash and bank balances and bank overdrafts include the following for the purposes of the consolidated statements of cash flows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Cash at banks and on hand | 89,664 | 97,689 |
| Bank overdrafts (<i>Note 22(a)</i>) | (5,295) | (239) |
| Cash and cash equivalents | 84,369 | 97,450 |

20 SHARE CAPITAL

| | Number of Shares | Share Capital HK\$'000 |
|---|-----------------------|---------------------------|
| <i>Authorised:</i> | | |
| Ordinary shares of HK\$0.01 each | | |
| At 16 May 2018 (date of incorporation) (<i>Note a</i>) | 38,000,000 | 380 |
| Increase in authorised share capital (<i>Note c</i>) | 9,962,000,000 | 99,620 |
| At 31 March 2019 and 2020 | 10,000,000,000 | 100,000 |
| <i>Issued and fully paid:</i> | | |
| At 16 May 2018 (date of incorporation) (<i>Note a</i>) | 1,000,000 | 10 |
| Issuance of shares pursuant to the Reorganisation (<i>Note b</i>) | 9,000,000 | 90 |
| Capitalisation Issue of shares (<i>Note d</i>) | 365,000,000 | 3,650 |
| Share issued pursuant to the share offer (<i>Note e</i>) | 125,000,000 | 1,250 |
| At 31 March 2019 and 2020 | 500,000,000 | 5,000 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SHARE CAPITAL (Continued)

- (a) On 16 May 2018, the Company was incorporated in the Cayman Islands with authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each. At the time of the incorporation, 1 subscriber share was allotted, issued and transferred to GGL. On the same date, the Company further allotted and issued 713,499 and 286,500 nil-paid shares to GGL and the 33 Shareholders of Creative Property Services Consultants Limited ("Creative Property") based on their relative shareholdings.
- (b) On 27 September 2018, a share swap agreement was entered into among (i) Creative (International) Limited ("CIL") as purchaser; (ii) the Company; (iii) Creative Property's shareholders as vendors and (iv) GGL, pursuant to which Creative Property's shareholders agreed to transfer their entire equity interest in Creative Property to CIL in consideration of and in exchange for the Company agreeing to (i) credit as fully paid the 1,000,000 nil-paid shares in issue of the Company (note (a)); and (ii) issue 9,000,000 new shares of the Company to the Shareholders. Since then, Creative Property is an indirect wholly owned subsidiary of the Company.
- (c) Pursuant to the written resolutions passed on 15 November 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by creation of an additional 9,962,000,000 shares at par value upon completion of the placing.
- (d) On 11 December 2018, a sum standing to the credit of the share premium account (being credited from the proceeds of the share offer) of the Company was capitalised and applied to paying up in full 365,000,000 shares allotted and issued to all the then existing Shareholders in proportion to their then shareholdings in the Company ("Capitalisation Issue").
- (e) In connection with the Company's listing on the Main Board on 11 December 2018, 125,000,000 shares were issued pursuant to the share offer at price of HK\$1 per share for a total consideration of HK\$125,000,000, with issuance costs amounted to approximately HK\$8,317,000 being charged to the share premium account of the Company.
- (f) A share option scheme (the "Share Option Scheme") was approved and conditionally adopted by the then shareholders of the Company by way of a written resolution on 15 November 2018 for the primary purpose of recognising and acknowledging the contribution of the directors, employees and other eligible parties who have made valuable contribution to the Group.

The maximum number of shares which may be issued under the Share Option Scheme and any other schemes must not, in aggregate, exceed 50,000,000 Shares, being 10% the shares of the Company. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over shares or other securities by the Company must not, in aggregate, exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless approved in advance by the shareholders of the Company in general meeting.

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

As of the date of this annual report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER PAYABLES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Trade payables | 6,800 | 11,487 |
| Provision for unutilised annual leave | 12,288 | 9,403 |
| Accrued wages, salaries and pensions | 42,328 | 34,829 |
| Other accrued expenses and deposits received | 5,413 | 1,915 |
| Total other payables | 60,029 | 46,147 |
| | 66,829 | 57,634 |

At 31 March 2020 and 2019, the ageing analysis of the trade payables based on invoice date was as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|----------------|------------------|------------------|
| 0 to 90 days | 5,650 | 11,187 |
| 91 to 180 days | 1,150 | 300 |
| | 6,800 | 11,487 |

The Group's trade payables are denominated in HK\$.

The carrying amounts of trade and other payables approximate their fair values due to their short maturities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 BORROWINGS

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------------------------------|------------------|------------------|
| Non-current | | |
| Finance lease liabilities (Note b) | — | 277 |
| Current | | |
| Bank borrowings (Note a) | 21,269 | 27,619 |
| Finance lease liabilities (Note b) | — | 159 |
| | 21,269 | 27,778 |
| Total borrowings | 21,269 | 28,055 |

(a) Bank borrowings

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Current: | | |
| Bank overdrafts | 5,295 | 239 |
| Bank loans due for repayment within one year | 9,071 | 18,324 |
| Bank loans due for repayment after one year which contain a repayment on demand clause | 6,903 | 9,056 |
| Total bank borrowings | 21,269 | 27,619 |

As at 31 March 2020 and 2019, the bank borrowings bear interest at floating rates and the effective interest rates are as follows:

| | 2020 | 2019 |
|------------|-------------|-------------|
| Bank loans | 2.25%–4.05% | 2.31%–4.45% |

The fair value of the borrowings approximates their carrying amounts, as their interest rates are considered current market rates.

As at 31 March 2020 and 2019, the bank borrowings are denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 BORROWINGS (Continued)**(a) Bank borrowings** (Continued)

As at 31 March 2020 and 2019, the Group's bank borrowings were repayable (based on the scheduled repayment dates as set out in the loan agreements and ignore the effect of any repayment on demand clause) as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Within one year | 9,071 | 18,324 |
| Within a period of more than one year but not exceeding two years | 2,189 | 2,156 |
| Within a period of more than two years but not exceeding five years | 4,714 | 6,640 |
| Within a period of more than five years | — | 260 |
| | 15,974 | 27,380 |

As at 31 March 2020, bank borrowings and the banking facilities granted to the Group are secured by:

- (i) The Group's leasehold land and buildings of approximately HK\$15,518,000 (2019: HK\$15,862,000) (Note 14);
- (ii) The Group's investment in insurance contracts of approximately HK\$12,589,000 (2019: HK\$12,297,000) (Note 16);
- (iii) The Group's pledged bank deposits of approximately HK\$45,212,000 (2019: HK\$39,095,000) (Note 18); and
- (iv) The corporate guarantee executed by the Company.

As at 31 March 2019, bank borrowings and the banking facilities granted to the Group are also secured by the unlimited personal guarantee executed by certain directors and a shareholder of the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 BORROWINGS (Continued)**(b) Finance lease liabilities**

As at 31 March 2019, the Group leased various motor vehicles with a carrying amount of HK\$493,000 under non-cancellable finance lease agreements. Finance lease liabilities were included in borrowings until 31 March 2019, but were reclassified to lease liabilities on 1 April 2019 in the process of adopting the new leasing standard. See Note 2.2 for further information about the changes in accounting policy for leases.

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Gross finance lease liabilities — minimum lease payments | | |
| — No later than 1 year | — | 173 |
| — Later than 1 year and no later than 5 years | — | 287 |
| Future finance charges on finance leases | — | 460 |
| | — | (24) |
| Present value of finance lease liabilities | — | 436 |
| The present value of finance lease liabilities is as follows: | | |
| — No later than 1 year | — | 159 |
| — Later than 1 year and no later than 5 years | — | 277 |
| | — | 436 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 DEFERRED TAX

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Deferred tax assets | | |
| — to be settled after more than 12 months | 192 | 87 |
| Deferred tax liabilities | | |
| — to be settled after more than 12 months | (21) | — |
| | 171 | 87 |

The movement of deferred tax assets/(liabilities) is as follows:

| | Accelerated tax depreciation HK\$'000 | Provision HK\$'000 | Total HK\$'000 |
|---|---|-----------------------|-------------------|
| At 1 April 2018 | (355) | 234 | (121) |
| Credit to profit or loss (<i>Note 12</i>) | 150 | 58 | 208 |
| At 31 March 2019 | (205) | 292 | 87 |
| Credit to profit or loss (<i>Note 12</i>) | 81 | 3 | 84 |
| At 31 March 2020 | (124) | 295 | 171 |

No deferred tax asset has been recognised in respect of an estimated tax loss of approximately HK\$963,000 (2019: HK\$1,035,000) as at 31 March 2020 respectively due to the unpredictability of future profit streams. The loss can be carried forward against future taxable income indefinitely.

At 31 March 2020, the Group has no significant unrecognised deferred tax assets (2019: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 EMPLOYEE BENEFIT OBLIGATIONS — LONG SERVICE PAYMENT

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 in hand when such payments are required.

The latest actuarial valuation as at 31 March 2020 and 2019 specifically designated for the Group's employees was completed by a qualified actuary, Towers Watson Hong Kong Limited, using projected unit credit method.

- (a) The amounts recognised in the consolidated statements of financial position are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Present value of employee benefit obligations | 20,066 | 13,149 |

- (b) Movements in the net liability recognised in the consolidated statements of financial position are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| At 1 April | 13,149 | 9,157 |
| Expenses recognised in profit or loss (<i>Note 8</i>) | 1,171 | 862 |
| Loss recognised in the other comprehensive income | 8,142 | 4,123 |
| Benefit paid directly by the employer | (2,396) | (993) |
| At 31 March | 20,066 | 13,149 |

- (c) Expenses recognised in the consolidated statements of comprehensive income is as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|----------------------|------------------|------------------|
| Current service cost | 988 | 689 |
| Interest cost | 183 | 173 |
| | 1,171 | 862 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 EMPLOYEE BENEFIT OBLIGATIONS — LONG SERVICE PAYMENT (Continued)

(d) Loss recognised in the other comprehensive income is as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--------------------------------|------------------|------------------|
| Actuarial (loss)/gain | | |
| — liability experience | (7,647) | (2,697) |
| — liability assumption changes | (495) | (1,426) |
| | (8,142) | (4,123) |

(e) The principal actuarial assumptions used as at 31 March 2020 and 2019 (expressed as weighted average) are as follows:

| | 2020 | 2019 |
|-------------------------|---|--|
| Discount rate | 0.7% | 1.4% |
| Future salary increment | 4.5% for the next 3 years; 4.0% thereafter | 5.00% for the next 3 years; 4.0% thereafter |

| | Impact on employee benefit obligations | | |
|-----------------------------|--|------------------------|------------------------|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| As at 31 March 2020: | | | |
| Discount rate | 0.25% | (380,000) | 397,000 |
| Future salary increment | 0.25% | 798,000 | (822,000) |
| As at 31 March 2019: | | | |
| Discount rate | 0.25% | (242,691) | 252,295 |
| Future salary increment | 0.25% | 726,442 | (736,530) |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The Group expects to pay approximately HK\$1,017,000 in contributions to the employee benefit obligations in the financial year ending 31 March 2021 (2020: HK\$988,000).

25 COMMITMENTS**(a) Capital commitments**

Capital expenditure on acquisition of property, plant and equipment contracted but not recorded in the consolidated financial statements amounted to approximately HK\$387,000 (2019: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 COMMITMENTS (Continued)

(b) Operating lease commitments

As at 31 March 2019, the Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2019 HK\$'000 |
|-----------------|------------------|
| Within one year | 177 |

From 1 April 2019, the Group has recognised right-of-use assets and lease liabilities for leases, except for short-term leases. See Note 2.2 and Note 15 for further information.

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

| | <i>Notes</i> | 2020 HK\$'000 | 2019 HK\$'000 |
|--|--------------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 36,932 | 18,742 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 9 | 1,651 | 1,816 |
| Depreciation of right-of-use assets | 9 | 312 | — |
| Fair value gain on an investment property | 7 | — | (800) |
| Finance income | 11 | (130) | (46) |
| Finance costs | 11 | 544 | 1,595 |
| Net changes in cash surrender value of investment in insurance contracts | 16 | (633) | (468) |
| Provision for long service payment | 8 | 1,171 | 862 |
| (Gain)/loss on disposal of property, plant and equipment | 7 | (15) | 111 |
| Allowance for impairment of trade receivables | 9 | 11 | 347 |
| Unrealised exchange differences | | 205 | — |
| Operating profit before working capital changes | | 40,048 | 22,159 |
| Changes in working capital: | | | |
| Retention money receivables | | (329) | (375) |
| Trade receivables | | (23,866) | (26,984) |
| Prepayments, deposits and other receivables | | (7,323) | 3,950 |
| Trade payables | | (4,687) | (549) |
| Other payables and accrued liabilities | | 13,882 | 2,935 |
| Long service payment liabilities | | (2,396) | (993) |
| Cash generated from operations | | 15,329 | 143 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

| | Bank borrowings (excluding bank overdraft) HK\$'000 | Finance lease liabilities HK\$'000 | Lease liabilities HK\$'000 | Loan from a related party HK\$'000 | Amounts due to related parties HK\$'000 | Total HK\$'000 |
|--|--|---|----------------------------------|---|---|-------------------|
| Balance at 1 April 2018 | 40,254 | 766 | — | 1,800 | 242 | 43,062 |
| Cash flows | (12,874) | (652) | — | (1,800) | 282 | (15,044) |
| Acquisitions — finance leases | — | 322 | — | — | — | 322 |
| Balance at 31 March 2019 | 27,380 | 436 | — | — | 524 | 28,340 |
| Recognised on adoption of HKFRS 16 (Note 2.2) | — | (436) | 436 | — | — | — |
| Balance at 1 April 2019 | 27,380 | — | 436 | — | 524 | 28,340 |
| Cash flows | (11,406) | — | (308) | — | (266) | (11,980) |
| Acquisitions — leases | — | — | 921 | — | — | 921 |
| Balance at 31 March 2020 | 15,974 | — | 1,049 | — | 258 | 17,281 |

27 CONTINGENT LIABILITIES

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the directors of the Group, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 31 March 2020 and 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL INSTRUMENTS BY CATEGORIES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Assets as per financial position | | |
| <i>Financial assets at amortised cost</i> | | |
| Trade and other receivables | 204,089 | 173,236 |
| Pledged bank deposits | 45,212 | 39,095 |
| Cash and bank balances | 89,664 | 97,689 |
| Total | 338,965 | 310,020 |

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Liabilities as per financial position | | |
| <i>Financial liabilities at amortised cost</i> | | |
| Trade and other payables | 54,541 | 48,231 |
| Borrowings (including finance lease liabilities) | 21,269 | 28,055 |
| Lease liabilities | 1,049 | — |
| Amounts due to related parties | 258 | 524 |
| Total | 77,117 | 76,810 |

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to jointly control the other party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

- (a) **The directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group during the year ended 31 March 2020:**

| Name of the related party | Relationship with the Group |
|---|--|
| Ms. So Yee Nga, Eva ("Ms. So") | Shareholder of the Company |
| Mr. Lai Wai Man ("Mr. Lai") | Executive director of the Company |
| Mr. Ho lo Tong ("Mr. Ho") | Shareholder of immediate holding company |
| Mr. Lam Siu Hung, Christopher ("Mr. Lam") | Executive director of the Company |
| Mr. Poon Sing Chit ("Mr. Poon") | Shareholder of immediate holding company |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (Continued)**(b) Transactions with related parties**

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following material transaction with related parties during the year:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--------------------------------|------------------|------------------|
| Guarantee fees to shareholders | — | 552 |

Guarantee fees were paid to shareholders for their unlimited personal guarantee executed (Note 22), and were charged based on terms mutually agreed between two parties.

(c) Balances with related parties

The Group had the following balances with related parties:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------------------|------------------|------------------|
| Non-trade | | |
| Amount due to Mr. Lai | 132 | 132 |
| Amount due to Ms. So | — | 275 |
| Amount due to Mr. Poon | 87 | 87 |
| Amount due to Mr. Ho | 27 | 18 |
| Amount due to Mr. Lam | 12 | 12 |
| | 258 | 524 |

The balances are interest-free, unsecured and payable on demand. The carrying amounts of the balances approximate their fair values and are denominated in HK\$.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (Continued)**(d) Key management compensation**

Key management were directors and senior management of the Group whose compensations are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|--------------------------------|------------------|
| Fees | 540 | 669 |
| Basic salaries, allowances and benefits | 6,755 | 6,511 |
| Discretionary bonuses | 121 | 106 |
| Employer's contribution to a defined contribution plan | 198 | 183 |
| | 7,614 | 7,469 |

30 DIVIDENDS

Dividends for the year ended 31 March 2020 and 2019 represented dividends declared by the Company's subsidiary to the then equity holders of the subsidiary. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------------------------|--------------------------------|------------------|
| Interim dividends declared and paid | — | 5,000 |

The directors of the Company do not recommend the payment of final dividends for the year ended 31 March 2020 (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment in subsidiaries | | 147,611 | 147,611 |
| Current assets | | | |
| Prepayments | | — | 167 |
| Amounts due from subsidiaries | | 82,662 | 87,709 |
| Cash and bank balances | | 16,050 | 15,046 |
| | | 98,712 | 102,922 |
| Total assets | | | |
| | | 246,323 | 250,533 |
| EQUITY | | | |
| Share capital | 20 | 5,000 | 5,000 |
| Share premium | (a) | 111,783 | 111,783 |
| Reserves | (a) | 127,979 | 132,469 |
| Total equity | | | |
| | | 244,762 | 249,252 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Other payables | | 1,560 | 1,280 |
| Amount due to a subsidiary | | 1 | 1 |
| Total liabilities | | | |
| | | 1,561 | 1,281 |
| Total equity and liabilities | | | |
| | | 246,323 | 250,533 |

The statement of financial position of the Company was approved by the Board of Directors on 26 June 2020 and was signed on its behalf.

Poon Kin Leung
Director

Lee Siu Wah Albert
Director



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Reserve movement of the Company

| | Share Premium HK\$'000 | Capital reserve HK\$'000 (Note) | Accumulated loss HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------------------|------------------------------|-------------------|
| At 16 May 2018 (date of incorporation) | — | — | — | — |
| Loss for the period | — | — | (15,041) | (15,041) |
| Capitalisation issue of shares | (3,650) | — | — | (3,650) |
| Share issued pursuant to the share offer | 123,750 | — | — | 123,750 |
| Listing expenses charged to share premium | (8,317) | — | — | (8,317) |
| Surplus arising on issue of share in connection with the Reorganisation | — | 147,510 | — | 147,510 |
| At 31 March 2019 | 111,783 | 147,510 | (15,041) | 244,252 |
| Loss for the year | — | — | (4,490) | (4,490) |
| At 31 March 2020 | 111,783 | 147,510 | (19,531) | 239,762 |

Note: Capital reserve of the Company represents the difference between the net asset value of the acquired subsidiary acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The Company had direct or indirect interests in the following principal subsidiaries as at 31 March 2020:

| Company Name | Date of incorporation | Place of incorporation/operation | Issued share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|--|-----------------------|----------------------------------|---|---|------|---|
| | | | | 2020 | 2019 | |
| <i>Directly owned subsidiaries:</i> | | | | | | |
| Creative (International) Limited | 17 May 2018 | British Virgin Islands/Hong Kong | 100 ordinary shares of US\$1 paid up to US\$100 | 100% | 100% | Investment holding |
| Creative China Development Holdings Limited | 3 June 2019 | British Virgin Islands/Hong Kong | 50,000 ordinary shares of US\$1 paid up to US\$50,000 | 100% | — | Investment holding |
| <i>Indirectly owned subsidiaries:</i> | | | | | | |
| Creative Property Services Consultants Limited | 1 September 2000 | Hong Kong | 100,000 ordinary shares of HK\$1 paid up to HK\$100,000 | 100% | 100% | Providing property, management services, security services, secondment services and other services such as cleaning services and window inspection services |
| Creative Building & Engineering Consultancy Limited | 1 November 2010 | Hong Kong | 100,000 ordinary shares of HK\$1 paid up to HK\$100,000 | 100% | 100% | Providing consultancy services in respect of as-built drawings of public housing estates |
| Creative China Development Investments Limited | 14 June 2019 | Hong Kong | 1 ordinary share of HK\$1 paid up to HK\$1 | 100% | — | Inactive |
| [#] Guangzhou Chuangyi Investment Co., Ltd. 廣州創毅投資有限公司 | 12 July 2019 | People's Republic of China | Registered capital HK\$10,000,000 | 100% | — | Inactive |

Notes:

[#] Unofficial English transliterations or translation for identification purposes only



FINANCIAL SUMMARY

A summary of the results and assets and liabilities of our Group for the last five financial years, as extracted from the Company's audited consolidated financial statements and the Prospectus, is set out below:

RESULTS

| | Year ended 31 March | | | | |
|--------------------------------------|---------------------|------------------|------------------|------------------|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Revenue | 783,935 | 715,807 | 668,275 | 611,414 | 516,478 |
| Profit before tax | 36,932 | 18,742 | 42,655 | 22,003 | 16,637 |
| Income tax expense | (7,013) | (5,385) | (6,143) | (3,691) | (2,928) |
| Profit for the year attributable to: | 29,919 | 13,357 | 36,512 | 18,312 | 13,709 |
| Owners of the Company | 29,919 | 13,357 | 36,546 | 18,336 | 13,788 |
| Non-controlling interests | — | — | (34) | (24) | (79) |

ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Total assets | 392,813 | 360,557 | 250,290 | 225,168 | 188,997 |
| Total liabilities | 110,282 | 99,803 | 110,453 | 113,134 | 96,585 |
| Total equity | 282,531 | 260,754 | 139,837 | 112,034 | 92,412 |