KIN SHING HOLDINGS LIMITED
建成控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1630

2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chow Dik Cheung (Chief Executive Officer)
Mr. Chan Sik Mau
Mr. Chiu Sin Nang, Kenny
(appointed on 22 May 2020)

Independent Non-Executive Directors

Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

AUDIT COMMITTEE

Mr. Lam Kai Yeung (Chairman)
Mr. Chang Chun Pong
Mr. Tsui Leung Cho

REMUNERATION COMMITTEE

Mr. Chang Chun Pong (Chairman)
Mr. Leung Chi Kit
Ms. Tso Yuk Ching
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

NOMINATION COMMITTEE

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

COMPANY SECRETARY

Ms. Tsui Wai Ting, Rosalie

AUTHORISED REPRESENTATIVES

Mr. Leung Chi Kit
Mr. Chow Dik Cheung

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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10 Cheung Yue Street
Cheung Sha Wan
Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
P.O. Box 1350
Clifton House
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Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER

TC & Co., Solicitors, Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited

PRINCIPAL BANKER

The Bank of East Asia, Limited
DBS Bank (HK) Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1630

WEBSITE

http://www.kinshingholdings.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

REVIEW

The total revenue of our Group decreased by approximately HK$416.0 million or 48.9% from approximately HK$850.6 million for the year ended 31 March 2019 to approximately HK$434.6 million for the year ended 31 March 2020. Our Group's loss attributable to owners of the Company decreased by approximately HK$8.5 million or 44.0% to approximately HK$10.8 million compared to loss attributable to owners of the Company of approximately HK$19.3 million for the year ended 31 March 2019. It was a tough and challenging year to the Group for the year ended 31 March 2020, specifically the business environment in Hong Kong was adversely affected by the outbreak and wide spread of the novel corona virus ("**COVID-19**") and the local social incidents in Hong Kong. In order to prevent the spread of the COVID-19, the Hong Kong Government has implemented various measures including social distancing policies, compulsory quarantine and border control measures. These measures have caused delays in certain formworks projects and have slowed down the construction progress.

PROSPECT

Looking forward, it is foreseeable that the intensified market competition, challenges and uncertainties in the costs of staff, materials and subcontracting fees will continue to plague the formwork works industry. In response to the dynamic business environment and to overcome these unfavorable factors, the Group will continue to diversify the scope in different types of construction projects and the customer base to minimise the market risk. During the year ended 31 March 2020, there were 46 projects which contributed a total revenue of approximately HK$434.6 million whereas there were 49 projects which contributed a total revenue of approximately HK$850.6 million for the corresponding period in 2019.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management and staff members for their commitment and contribution, and to all our shareholders, customers, subcontractors, suppliers and business partners for their endless support, and to the growth of the Group.

Leung Chi Kit
Chairman
Hong Kong, 30 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

– Revenue of the Group for the year ended 31 March 2020 amounted to approximately HK$434,647,000 (2019: approximately HK$850,565,000).

– Loss attributable to the equity shareholders of the Company for the year ended 31 March 2020 amounted to approximately HK$10,831,000 (2019: approximately HK$19,319,000).

– Basic loss per share for the year ended 31 March 2020 amounted to approximately 0.72 HK cents (2019: approximately 1.29 HK cents).

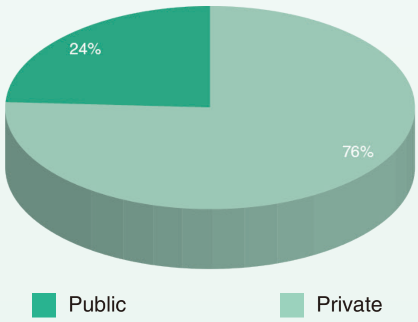
BUSINESS REVIEW

The Group is principally engaged in the provision of formwork works with an insignificant portion from building construction works (including concrete works and finishes works). Based on the materials used in the formwork works, we categorise our formwork works into (i) traditional timber formwork by using timber and plywood; and (ii) metal formwork system by using aluminium and metals. Since the listing of the Company on 16 June 2017 (the "**Listing**"), there has been no significant change in the business operations of the Group.

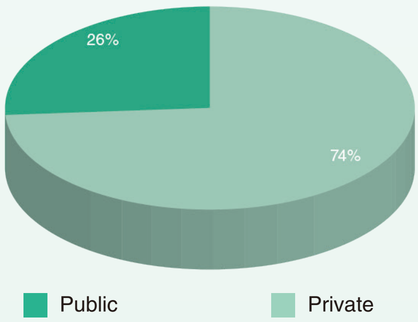
During the year ended 31 March 2020, formwork works contributed approximately HK$434,647,000 to the Group's revenue (2019: approximately HK$850,565,000).

The Group predominately engaged in erecting formworks for construction works in private residential and commercial buildings during the year ended 31 March 2020. In recent years, in order to diversify the scope in different kinds of construction projects, the Group had also engaged in formwork works for construction works in public housing. As such, the construction projects undertaken by us include both public-sector projects (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sector projects (including projects where the ultimate employer(s) are property developer(s) and land owner(s)). During the year ended 31 March 2020, the revenue generated from private sector projects accounted for approximately HK$331,403,000 (2019: approximately HK$633,149,000), representing approximately 76.2% (2019: approximately 74.4%), of the total revenue of the Group, and approximately HK$103,244,000 (2019: approximately HK$217,416,000), representing approximately 23.8% (2019: approximately 25.6%), of the total revenue of the Group were generated from public sector projects undertaken by us.

2020



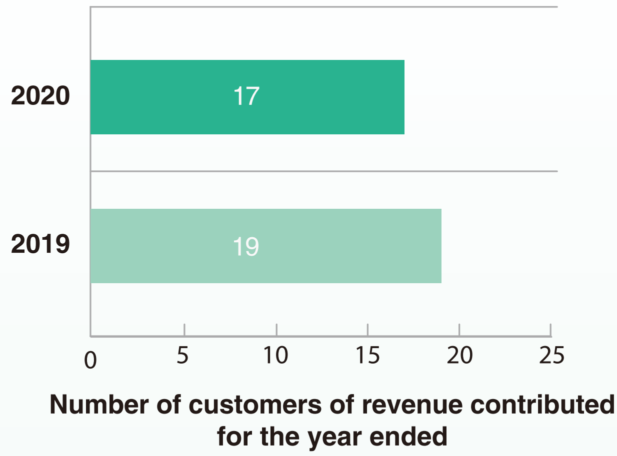
2019



Percentage of formwork works project in public and private sector for the year ended

BUSINESS REVIEW *(Continued)*

During the year ended 31 March 2020, there were 17 customers who contributed a total revenue of approximately HK$434.6 million, whereas there were 19 customers who contributed a total revenue of approximately HK$850.6 million for the corresponding period in 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

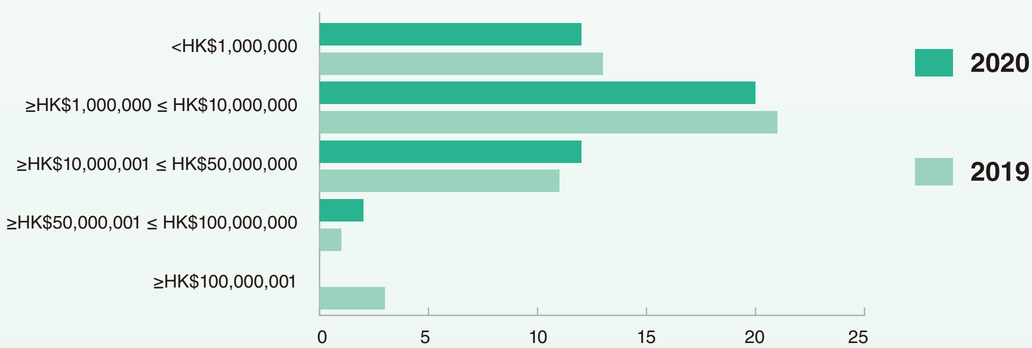
FINANCIAL REVIEW

Revenue

The business of the Group primarily focused in the Hong Kong market during the year ended 31 March 2020.

During the year ended 31 March 2020, there were 46 projects contributing revenue of approximately HK$434,647,000, whereas revenue for the corresponding period of 2019 of approximately HK$850,565,000 was contributed by 49 projects. The decrease of revenue in 2020 was mainly due to the fact five sizable formwork projects (total latest contract amount of approximately HK$562.6 million and were being awarded to the Group during the period from January 2018 to April 2018) are at the final stage of the construction cycle, hence the revenue generated for the year ended 31 March 2020 is minimal. Set out below is a breakdown of the Group's projects based on their respective revenue recognised during the year ended 31 March 2020 and 2019.

	2020 No. of projects	2019 No. of projects
Revenue recognised		
HK$100,000,001 or above	–	3
HK$50,000,001 to HK$100,000,000	2	1
HK$10,000,001 to HK$50,000,000	12	11
HK$1,000,000 to HK$10,000,000	20	21
Below HK$1,000,000	12	13
	46	49



Number of projects which revenue has been recognised for the year end

FINANCIAL REVIEW *(Continued)*

Gross profit and gross profit margin

During the year ended 31 March 2020, the Group's gross profit decreased by approximately HK$35,079,000 or approximately 73.6% from approximately HK$47,685,000 for the year ended 31 March 2019 to approximately HK$12,606,000 for the year ended 31 March 2020.

The Group's gross profit margin decreased from approximately 5.6% for the year ended 31 March 2019 to approximately 2.9% for the year ended 31 March 2020. The decrease in the gross profit margin was mainly resulted from the fact that several sizable formworks project are at the final stage, the increase of rate of labours and subcontractors, the additional costs caused by the unexpected changes to on-site arrangements and the keen competition for new formwork works contracts in the market.

Other income

Other income decreased by approximately HK$1,955,000 from approximately HK$2,404,000 for the year ended 31 March 2019 to approximately HK$449,000 for the year ended 31 March 2020, representing a decrease of approximately 81.3%. Such decrease was mainly attributable to the decrease in rental income.

Other losses

Other losses decreased by approximately HK$36,562,000 from approximately HK$36,571,000 for the year ended 31 March 2019 to approximately HK$9,000 for the year ended 31 March 2020. Decrease in other losses was mainly due to the fact that there was no loss arise on the fair value change and on disposals of financial assets at fair value through profit or loss during the year ended 31 March 2020.

Administrative expenses

Administrative expenses decreased from approximately HK$23,955,000 for the year ended 31 March 2019 to approximately HK$21,532,000 for the year ended 31 March 2020, representing a decrease of approximately 10.1%. Such decrease was mainly attributable to the decrease in professional fess and entertainment expenses.

Finance costs

Finance costs decreased from approximately HK$2,812,000 for the year ended 31 March 2019 to approximately HK$2,730,000 for the year ended 31 March 2020, representing a decrease of approximately 2.9%.

Income tax

Income tax expenses decreased by approximately HK$7,462,000 from income tax expenses of approximately HK$6,070,000 for the year ended 31 March 2019 to income tax credit of approximately HK$1,392,000 for the year ended 31 March 2020. Such decrease was mainly due to the decrease in assessable profits during the year ended 31 March 2020.

Loss attributable to the equity shareholders of the Company

As a result of the foregoing, the loss attributable to the equity shareholders of the Company amounted to approximately HK$10,831,000 for the year ended 31 March 2020 as compared to that of approximately HK$19,319,000 for the year ended 31 March 2019. The loss for the year ended 31 March 2020 was mainly attributable to the decrease in gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 31 March 2020, the Group had cash and cash equivalents of approximately HK$187,521,000 as compared with that of approximately HK$181,688,000 as at 31 March 2019.

The Group did not have any bank borrowings as at 31 March 2020 and 2019. The gearing ratio is calculated based on the amount of the total debts, which include, amount due to a director, amount due to a related company, amount due to a joint venture and lease liabilities, divided by the total equity. The gearing ratio of the Group as at 31 March 2020 is approximately 88.2% (2019: approximately 95.5%).

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the Board of Directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of assets

As at 31 March 2020, the Group did not pledge its assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 March 2020, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital commitments

As at 31 March 2020, the Group had approximately HK$8,651,000 of off-balance sheet capital commitments in respect of the acquisition of property, plant and equipment.

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities.

Foreign exchange risk

The Group mainly operates in Hong Kong and the majority of its operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the year ended 31 March 2020.

CORPORATE FINANCE AND RISK MANAGEMENT *(Continued)*

Principal risk and uncertainty

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of construction projects. The Group's key risk exposures are summarised as follows:

1. The Group derives its revenue mainly from projects which are non-recurrent in nature, and there is no guarantee that the customers will provide us with new business or that we can secure new contracts.

2. The Group determines the contract price based on the estimated time and costs involved in the project. Inaccurate estimation or ineffective cost management may adversely affect the Group's financial results.

3. Any significant increase in construction material costs and/or the occurrence of any substandard construction materials may have adverse impacts on the financial results of the Group.

4. Construction litigation and disputes may adversely affect the Group's performance.

5. The Group's liquidity position may be adversely affected if the progress payment or the retention money is not paid or released to the Group on time or in full or the construction project cash flows are fluctuated.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus dated 31 May 2017 published by the Company.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to sustainable development of the Group. The Group recognises the importance of maintaining good relationships with its employees, business partners, customers, suppliers and sub-contractors to achieve its long-term business growth and development. Accordingly, the Group keeps good communications and shares business updates with them when appropriate.

The Group has provided its major customers formwork works for many years. Main contractors tend to select their subcontractors based on reputation, proven high-quality work and on-time project completion track records. Moreover, maintaining good customer relationships provides more opportunities and higher chances to (i) be invited for and (ii) win tenders. The Group considers that the long-term relationship with some of the major customers reinforces the Group as one of the preferred subcontractors to their projects. In particular, some of the customers with long-term relationship are wholly-owned subsidiaries of public companies listed on the Main Board and are long-established property developers or contractors in Hong Kong. The Directors believe that satisfactory completion of previous works on a timely basis enables us to maintain a continuous business relationship with these customers.

On the other hand, the Group keeps a pre-approved list of suppliers and a list of pre-approved subcontractors. These subcontractors possess the relevant qualifications and/or relevant experience, and certain subcontractors and suppliers have been our subcontractors and suppliers for many years. The Directors believe that the Group's stable relationship with the subcontractors and/or suppliers facilitates (i) a smooth delivery of good quality materials and/or services to the Group; (ii) a favourable bargaining position for purchase of materials with relatively stable price and terms; and (iii) the availability of supplies throughout the entire project period, which is crucial to the Group's day-to-day operations and future business development.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed 612 employees in Hong Kong (2019: 1,204 employees). Remuneration packages are reviewed based on their performance, experience and the prevailing industry practice. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. In addition to salary payments and discretionary bonuses, the Group also provides the eligible staff other employment benefits, provident fund and educational subsidies. The total remuneration cost incurred by the Group for the year ended 31 March 2020 was approximately HK$164,543,000 compared to approximately HK$418,523,000 for the year ended 31 March 2019.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 16 June 2017 (the "**Listing**"). The net proceeds (after deducting the underwriting fees, commissions and all related expenses) from the Listing amounted to approximately HK$75.0 million. After the Listing, these net proceeds have been and will be utilised in accordance with the future plans and use of proceeds as set out in the prospectus of the Company dated 31 May 2017.

Details of the utilisation of the net proceeds raised by the Company from the date of Listing up to 31 March 2020 are stated below:

	Planned use of net proceeds HK$ million	Amount utilised up to 31 March 2020 HK$ million	Unutilised balance up to 31 March 2020 HK$ million
Acquire additional machineries and equipment	32.8	24.6	8.2
Purchase aluminium formwork systems	21.3	6.7	14.6
Invest in human resources	9.6	8.4	1.2
Additional rental expense for leasing of a warehouse	4.3	3.0	1.3
General working capital	7.0	7.0	–
Total	75.0	49.7	25.3

The unused amount of the net proceeds of approximately HK$25.3 million has been deposited into licensed banks in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers that a stringent quality assurance system and strong commitment to work's quality, safety, occupational health and environmental management are crucial in delivering quality works to the customers on a timely basis. Therefore, the Group has implemented a stringent management system to regulate the work's quality, safety and environmental management standards, which comply with international standards. During the year 31 March 2020, the Group has satisfied the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 accreditation for the quality management system, environmental management system and occupational safety and health management system respectively.

During the year ended 31 March 2020, there is no material breach of or non-compliance with applicable laws and regulations by the Group in respect of environmental issues that have significant impact on the business and operations of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2020, the Group was fined for a total sum of HK$34,000 in respect of one summons for violation of certain regulations under the Construction Sites (Safety) Regulations and Factories and Industrial Undertakings (Safety Management) Regulations.

The Directors consider that these violations are independent and isolated incidents. During the year ended 31 March 2020, save as disclosed above or otherwise in this annual report, the Group has complied with all applicable laws and regulations in Hong Kong in all material aspects for the business operation of the Group. During the year ended 31 March 2020, the Group has also obtained all the licenses, permits or certificates which are necessary to conduct its business operation in Hong Kong.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Leung Chi Kit (梁志杰), aged 60, is the spouse of Ms. Tso Yuk Ching and is one of the founders of our Group. He is an Executive Director and the Chairman of the Board. Mr. Leung attained his secondary school education in 1973 in the PRC. Mr. Leung has over 32 years of experience in formwork works and related construction works in Hong Kong. Mr. Leung is primarily responsible for formulation of overall business development strategy, overall management and administration and major business decisions of our Group. Prior to establishing our Group in March 1994, Mr. Leung worked in several construction companies in Hong Kong and was responsible for formwork works and related construction works. Leveraging on his experience gained in the industry, he started to venture his own business as a construction contractor in 1981.

Mr. Leung obtained a fellowship award from the Social Enterprise Research Academy in May 2018. He has been appointed as the Vice President of the Hong Kong China Chamber of Commerce since 30 August 2018. On 6 January 2019, Mr. Leung obtained the top ten Outstanding Chinese Business Enterprise Elite Award from Hong Kong China Chamber of Commerce.

Ms. Tso Yuk Ching (曹玉清), aged 60, is the spouse of Mr. Leung Chi Kit. She is an Executive Director of our Company, the sole director of Kin Wo Form Mould Engineering Limited ("**Kin Wo**") and has been the general manager (administration) of Leung Pui Form Mould & Engineering Co. Limited ("**Leung Pui**") since March 2016. Prior to joining the Company, Mrs. Leung has over nine years of experience in business management while she acted as the director in Kin Wo. She has been involved in assisting Mr. Leung in the management of Leung Pui since its incorporation. Starting from June 2009, she contributed further in the management of Leung Pui by advising on its administrative matters. Her duties include overseeing human resources matters, as well as co-ordinating among different departments to ensure sufficiency of office support for the operation of Leung Pui.

Mr. Chow Dik Cheung (周迪將), aged 44, is the nephew of Mr. Chow Siu Yu, one of the controlling of shareholders of the Company and is an Executive Director and the Chief Executive Officer of our Company. He has over 17 years of experience in the engineering and construction industry. Mr. Chow Dik Cheung is responsible for making major operation decisions for the Department of Commerce, Department of Safety and Department of Project Management. Mr. Chow Dik Cheung obtained his Bachelor's Degree of Engineering in Mechatronic Engineering from the City University of Hong Kong in November 1999. He obtained a certificate of a Construction Safety Supervisor Course from the Construction Industry Training Authority in October 2001. Mr. Chow Dik Cheung obtained his Bachelor's Degree of Engineering in Building Engineering (Construction Engineering and Management) from the City University of Hong Kong in November 2008. He further obtained a Professional Diploma in Occupational Safety & Health from the School of Continuing Education Hong Kong Baptist University in September 2011. Mr. Chow Dik Cheung joined our Group in May 2000 as a quantity surveyor.

Mr. Chan Sik Mau (陳錫茂), aged 65, is an Executive Director of our Company. He has over 32 years of experience in formwork works and construction work in Hong Kong. He has been working with Mr. Leung since 1996 and assisted Mr. Leung since the incorporation of our Group. Starting from January 2004, he was employed by Leung Pui as a site agent. Based on his experience and understanding of our Group, he has been assigned to manage several major construction sites and provide advice and execute the business strategy of our Group.

Mr. Chiu Sin Nang, Kenny (趙善能), aged 58, is an Executive Director of our Company. He has over 30 years of experience in accounting. Mr. Chiu has held various senior accounting and finance positions in property investment and development, and information technology development entities. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Mr. Chiu received a Master of Accountancy Degree from The Chinese University of Hong Kong in December 2006, a Bachelor of Laws Degree from the Peking University, the People's Republic of China in July 1998, a Master of Commerce in Accounting Degree from The University of New South Wales, Australia in May 1989, a Bachelor of Administrative Studies Degree and a Bachelor of Arts (Economics) Degree from the York University, Canada in June 1986 and June 1985 respectively. He is currently an independent non-executive director of KEYNE LTD (stock code: 00009), Kingston Financial Group Limited (stock code: 1031) and Sincere Watch (Hong Kong) Limited (stock code: 444), which are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Chang Chun Pong (張振邦), aged 51, was appointed as an Independent Non-executive Director of our Company on 23 May 2017. Mr. Chang obtained his Bachelor's Degree in Laws from The University of Hong Kong in 1990. He obtained a Postgraduate Certificate in Laws from The University of Hong Kong in 1991. He was admitted as a solicitor of Hong Kong in February 1994. Mr. Chang has over 26 years of experience in legal practice. He was an assistant solicitor of Y.L. Yeung & Co., Solicitors from March 1994 to August 1995. Mr. Chang was a partner of Kong & Chang, Solicitors, from March 2003 to March 2017. He then joined Au Yeung, Lo & Chung as a consultant since March 2017.

Mr. Tsui Leung Cho (徐良佐), aged 92, was appointed as an Independent Non-executive Director of our Company on 23 May 2017. He obtained his Bachelor's Degree of Science in Civil Engineering from the Ling Nam University, the PRC in July 1951. Mr. Tsui obtained a Master's Degree in Advanced Structural Engineering from the University of Southampton, England in March 1973. He obtained a Master's Degree of Engineering in Geological Engineering from the University of Toronto, Canada in March 1983. Mr. Tsui was a member of the Institution of Structural Engineers of England in December 1964, a fellow member of the same Institution in June 1975; a member of the Institution of Engineers Australia in February 1976 and a member of the Association of Professional Engineers of the Province of Ontario, Canada in November 1978, a Registered Structural Engineer in Hong Kong since 1978 and a Professional Engineer in California, United States of America since 1984.

Mr. Tsui has over 52 years of experience in structural engineering. He was a lecturer of the Civil Engineering Department in various universities in the PRC from August 1951 to December 1961; an engineer of Eric Cumine & Partners in Hong Kong from January 1962 to February 1963; a structural engineer of The Building Ordinance Office in Hong Kong from March 1963 to April 1967; a senior structural engineer of The Architectural Office, Public Works Department in Hong Kong from April 1967 to March 1978; a chief engineer of Omen Lee & Associates, Ontario, Canada from August 1978 to August 1980; a senior engineer of Reed Inc., Toronto, Canada from August 1980 to September 1983; a construction manager of Technic Construction Co. in Hong Kong from September 1983 to September 1988. He has been the president and the registered structural engineer of George Tsui & Associates, an associate of T.Y. Lin (H.K.) and an external professor of Wu Han University, the PRC, since September 1993.

Mr. Lam Kai Yeung (林繼陽), aged 50, was appointed as an Independent Non-executive Director of our Company on 23 May 2017. Mr. Lam is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and Certified Dealmaker in China. Mr. Lam obtained a Bachelor's Degree of Accounting from the Xiamen University in July 1990 and a Master's Degree in Business Administration from the Oxford Brookes University in the United Kingdom in July 2010. Mr. Lam is a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance ("**SFO**").

Mr. Lam is an executive director and the chief executive officer of Hang Pin Living Technology Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1682). Mr. Lam has been an independent non-executive director of Starrise Media Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1616) since June 2012; director of Sunway International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 58) from May 2015 to June 2019; an independent non-executive director of Finsoft Financial Investment Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8018) since June 2015; an independent non-executive director of Holly Futures (a company listed on Main Board of the Stock Exchange, stock code: 3678) since June 2015; an independent non-executive director of Shi Shi Services Limited (a company listed on the GEM of the Stock Exchange, stock code: 8181) since October 2015; and an independent non-executive director of Kin Shing Holdings Limited since May 2017.

Senior Management

Ms. Cheng Wai Man (鄭惠文), aged 47, is the Head of Administration of our Group. She has over 22 years of experience in accounting and secretarial work. Ms. Cheng obtained a certificate in Book-keeping – First Level from the London Chamber of Commerce and Industry Examinations Board in the United Kingdom in 1999. She obtained a General Course Certificate (Commercial Stream) from the Hong Kong Institute of Vocational Education in September 1999. She obtained a Certificate in Book-keeping and Accounts – Second Level from the London Chamber of Commerce and Industry Examinations Board in the United Kingdom in 2000. Ms. Cheng obtained a Certificate in Accountancy from the Hong Kong Institute of Vocational Education in July 2001.

Prior to joining our Group in June 1999, Ms. Cheng was a shipping clerk of Halldonn Company Limited from December 1991 to January 1993. She then worked for Gulog Design Company as an account clerk and computer sided drafting (CAD) draftsman till November 1995. She was a secretary of Accurate Contractors & Renovators Co., Ltd. from March 1996 to July 1998.

Ms. Tsui Wai Ting Rosalie (徐煒婷), aged 30, has been appointed as the Company Secretary of the Company since 20 August 2018. She has over 8 years of experiences in accounting, auditing, taxation, financial management, compliance and company secretarial works. Ms. Tsui obtained her Bachelor's Degree of Accounting from the Hong Kong Baptist University in November 2011. She was a member of the Hong Kong Institute of Certified Public Accountants since May 2017. Prior to joining our Group, she worked as a senior audit accountant in Lau & Au Yeung C.P.A. from April 2016 to February 2018. She started to assist the financial controller of our Group since March 2018.

Ms. Wong Wing Sze (黃詠詩), aged 41, is the Head of Purchasing of our Group. She has over 17 years of experience in office administration work. Ms. Wong obtained a Certificate in London Chamber of Commerce & Industry Elementary English Book-keeping from the Spare-Time Study Centre of The Hong Kong Federation of Trade Unions Workers' Club in February 2001. She enrolled for a programme in English Communication Skills for the Office in the School of Continuing & Professional Studies offered by the Chinese University of Hong Kong in July 2008. Prior to joining our Group in March 2001, she was a marketing assistant of AV Engineering Company from November 1995 to August 1998. She was a clerk of Team Endurance (HK) Ltd. from March 1999 to June 1999. Ms. Wong was an administration clerk of E&P Holdings Limited from March 2000 to December 2000.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 March 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to protect the interest of its shareholders and to place importance on its corporate governance system so as to formulate the business strategies and policies, and manage the associated risk through effective internal control and risk management procedures. It will also ensure greater transparency, accountability and protection of shareholders' interests.

This report describes the Company's corporate governance practices and structures that were in place during the financial year ended 31 March 2020, with specific reference to the principles and guidelines of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") issued by the Stock Exchange. In developing and reviewing its corporate governance policies and practices, the Company has sought to adopt a balanced approach.

Since the Date of Listing and up to the date of this report, in the opinion of the Directors, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions (the "**Securities Dealing Code**") by the Directors and employees who, because of his office or employment in the Group, is likely to possess inside information of the Company.

All the Directors confirmed, upon specific enquiry made, that they have complied with the Model Code and the Securities Dealing Code since the Listing and up to the date of this report. In addition, the Company is not aware of any incident of non-compliance of the Securities Dealing Code by the relevant employees since the Listing and up to the date of this report.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and the Shareholders. The Board has established three Board committees (the "**Board Committees**"), being the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**"), to oversee different areas of the Company's affairs. The terms of reference of the Board committees are posted on the Company's website and the website of the Stock Exchange and are available to Shareholders upon request.

Composition

The Board currently comprises five Executive Directors and three Independent Non-executive Directors.

Executive Directors

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chow Dik Cheung (Chief Executive Officer)
Mr. Chan Sik Mau
Mr. Chiu Sin Nang, Kenny (appointed on 22 May 2020)

Independent Non-executive Directors

Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules, from the Date of Listing and up to the date of this report, as there are three Independent Non-executive Directors in the Board and the number of Independent Non-executive Directors constitutes more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgement. The Company has also complied with Rule 3.10(2) of the Listing Rules which stipulates that one of the Independent Non-executive Directors must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Code, the Independent Non-executive Directors are expressly identifies as such in all corporate communications that disclose the name of the Directors.

All the Independent Non-executive Directors namely, Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung have respectively entered into a service contract with the Company for a term of one year renewable from time to time unless terminated by not less than one month' notice in writing served by either party on the other. The Independent Non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company ("**the Articles**").

Pursuant to Article 108 of the Articles at each following annual general meeting, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election or re-election.

Mr. Leung Chi Kit, Ms. Tso Yuk Ching, Mr. Chow Dik Cheung, Mr. Chan Sik Mau, Mr. Chiu Sin Nang, Kenny, Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-election pursuant to Articles 108 of the Articles. No Director proposed for re-election at the 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.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Group considers all Independent Non-executive Directors to be independent under the Listing Rules.

Save that Ms. Tso Yuk Ching is the spouse of Mr. Leung Chi Kit, there are no financial, business, family or other material/relevant relationship among the members of the Board. The biographical details of each of the Directors are out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Draft minutes of board meetings are circulated to Directors for comments and the signed minutes are kept by the Company Secretary.

In order to safeguard the interest of individual Directors, the Company has also arranged directors' and officers' liability insurance for the Directors of the Company.

BOARD AND GENERAL MEETINGS

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. From the Date of Listing to the year ended 31 March 2020, the Directors' attendance of the Board meetings and general meeting is set out as follows:

	Attendance/Number of general meetings during the year ended 31 March 2020	**Attendance/Number of board meetings during the year ended 31 March 2020**
Executive Directors		
Mr. Leung Chi Kit (Chairman)	1/1	3/3
Ms. Tso Yuk Ching	1/1	2/3
Mr. Chow Dik Cheung (Chief Executive Officer)	1/1	3/3
Mr. Chan Sik Mau	1/1	2/3
Mr. Chiu Sin Nang, Kenny (appointed on 22 May 2020)	0/1	0/3
Independent Non-executive Directors		
Mr. Chang Chun Pong	1/1	3/3
Mr. Tsui Leung Cho	1/1	3/3
Mr. Lam Kai Yeung	1/1	3/3

CORPORATE GOVERNANCE REPORT

BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible to the shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control and risk management systems and supervising and managing management's performance.

Regarding the Group's corporate governance, since the Listing and up to the date of this report, the Board has performed the following duties:

– determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;

– reviewed and monitored the training and continuous professional development of Directors and senior management;

– reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;

– developed, reviewed and monitored the code of conduct applicable to Directors and employees; and

– reviewed the Company's compliance with the CG Code and disclosure in this Corporate Governance report.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management. In addition, the Board has also delegated various responsibilities to the Board Committees. All the Board Committees perform their distinct roles in accordance with their respective term of reference.

CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. In compliance with the Code, the Group has appointed a separate chairman and chief executive of the Company since the Listing. In order to ensure that there is clear division of responsibilities between the chairman of the Board and the chief executive of the Company, these two positions are assumed by different individuals, Mr. Leung Chi Kit, the Chairman of the Board, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Chow Dik Cheung, the Chief Executive Officer of the Company, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code during the year ended 31 March 2020 and up to the date of this report, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the year ended 31 March 2020 conducted by the Legal Advisor of the Company and relevant training material has been distributed to all the Directors. All Directors had attended the in-house training. The training covered topics which include, the disclosure obligations in Hong Kong, the requirements of disclosable transactions and connected transactions etc. under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established on 23 May 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and it currently comprises three Independent Non-executive Directors namely Mr. Lam Kai Yeung (as Chairman), Mr. Chang Chun Pong and Mr. Tsui Leung Cho.

The terms of reference of the Audit Committee (which have been amended by the Board on 2 January 2019) are available on the Stock Exchange's website and the Company's website.

The primary duties of the Audit Committee include, but not limited to:

– to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

– to review the accounting principles and policies adopted by the Company and discuss with management and the external auditor the financial reporting matters;

– to review the financial statements of the Group before their submission to the Board for approval; and

– to review the effectiveness of the internal control and risk management systems of the Group.

The Audit Committee held a meeting on 30 June 2020 to review, in respect of the year ended 31 March 2020, the annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of the external auditors and relevant scope of works and, continuing connected transactions. There had been no disagreement between the Board and the Audit Committee from the Date of Listing to the date of report. The attendance record of each member of the Audit Committee is set out below:

	Attendance/Number of meetings during the year ended 31 March 2020
Independent Non-executive Directors	
Mr. Chang Chun Pong	2/2
Mr. Tsui Leung Cho	2/2
Mr. Lam Kai Yeung (Chairman)	2/2

REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 May 2017 and it currently comprises three Independent Non-executive Directors namely Mr. Chang Chun Pong (as Chairman) and Mr. Tsui Leung Cho and Mr. Lam Kai Yeung, and two Executive Directors namely Mr. Leung Chi Kit and Ms. Tso Yuk Ching.

The terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website. The principal functions include, but not limited to:

– reviewing and approving the management's remuneration proposals with reference to the Board's goals and objectives; and

– as the Board shall direct, making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

The Remuneration Committee consults the chairman of the Board and an Executive Director about their remuneration proposals for other Executive Directors and senior management.

Details of remuneration packages of the Executive Directors during the year are set out under heading "Directors', Chief Executive's and Employees' Emoluments" in note 13 to the consolidated financial statements.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the CG Code and are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held 3 meetings during the year ended 31 March 2020 to review the remuneration of all Executive Directors and senior management individually. The attendance record of each member of the Remuneration Committee is set out below:

	Attendance/Number of meetings during the year ended 31 March 2020
Executive Directors	
Mr. Leung Chi Kit	3/3
Ms. Tso Yuk Ching	2/3
Independent Non-executive Directors	
Mr. Chang Chun Pong (Chairman)	3/3
Mr. Tsui Leung Cho	3/3
Mr. Lam Kai Yeung	3/3

DIRECTORS' REMUNERATION

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company regularly. Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements.

REMUNERATION OF THE SENIOR MANAGEMENT

During the year ended 31 March 2020, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
Below HK$1,000,000	3
Above HK$1,000,000	–

Further details of the remuneration of the Directors and the 5 highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in note 13 to the consolidated financial statements.

During the year, members of the Remuneration Committee had performed the following duties under the Terms of Reference of the Committee:

- assessed the performance of the Executive Directors and consulted the Chairman of the Board and the Chief Executive Officer about their remuneration proposals for other Executive Directors;

- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration;

- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- made recommendations to the Board on the remuneration packages of individual Executive Directors and senior management;

- made recommendations to the Board on the remuneration of the Independent Non-executive Directors;

- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; and

- ensured that no Director or any of his/her associates is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Company has established the Nomination Committee on 23 May 2017 with written terms of reference in compliance with paragraph A.5 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. As at the date of this annual report, the Nomination Committee comprises two Executive Directors, namely Mr. Leung Chi Kit, and Ms. Tso Yuk Ching and three Independent Non-executive Directors, namely Mr. Lam Kai Yeung, Mr. Chang Chun Pong and Mr. Tsui Leung Cho. Mr. Leung Chi Kit is the chairman of the Nomination Committee. The written terms of reference of the Nomination Committee which were amended by the Board on 2 January 2019 are in line with the CG Code and are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the selection of individuals nominated for directorship, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and assessing the independence of Independent Non-executive Directors.

The Nomination Committee held a meeting on 30 June 2020 to review the independence of the Independent Non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the 2020 annual general meeting, to review the structure, size and composition of the Board and to review and report to the Board the Board Diversity Policy and the Board Nomination Policy. In identifying and selecting suitable candidates for directorships, the Nomination Committee will consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. Having reviewed the composition of the Board, details of which are set out under the section headed "Biographies of the Directors and Senior Management" on pages 12 to 14 of this annual report, the Nomination Committee considered that there is an appropriate balance of Board diversity.

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

	Attendance/Number of meetings during the year ended 31 March 2020
Executive Directors	
Mr. Leung Chi Kit (Chairman)	1/1
Ms. Tso Yuk Ching	1/1
Independent Non-executive Directors	
Mr. Chang Chun Pong	1/1
Mr. Tsui Leung Cho	1/1
Mr. Lam Kai Yeung	1/1

BOARD NOMINATION POLICY

The Company has adopted a Board Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

The Nomination Committee will monitor the implementation of the Board Nomination Policy and report to the Board annually.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a Board Diversity Policy. The Company recognises and embraces the benefits of diversity of the Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives including, but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

During the year and as at the date of this annual report, the Board comprises seven Directors, one of whom is female. The following tables further illustrate the diversity of the Board Members as of the date of this annual report:

	Age Group			
Name of Directors	**Below 50**	**50 to 60**	**61–70**	**Above 70**
Mr. Leung Chi Kit (Chairman)		✓		
Ms. Tso Yuk Ching		✓		
Mr. Chow Dik Cheung (Chief Executive Officer)	✓			
Mr. Chan Sik Mau			✓	
Mr. Chiu Sin Nang, Kenny		✓		
Mr. Chang Chun Pong		✓		
Mr. Tsui Leung Cho				✓
Mr. Lam Kai Yeung		✓		

	Professional Experience			
Name of Directors	**Business Management**	**Industry Experience**	**Accounting and Finance**	**Law**
Mr. Leung Chi Kit (Chairman)	✓	✓		
Ms. Tso Yuk Ching	✓	✓		
Mr. Chow Dik Cheung (Chief Executive Officer)	✓	✓		
Mr. Chan Sik Mau		✓		
Mr. Chiu Sin Nang, Kenny		✓	✓	
Mr. Chang Chun Pong				✓
Mr. Tsui Leung Cho		✓		
Mr. Lam Kai Yeung			✓	

Measurable Objectives and Selection

The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

Implementation and Monitoring

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board annually.

DIVIDEND POLICY

The Board adopted a Dividend Policy on 31 December 2018 in order to enhance transparency of the Company and facilitate shareholders and investors to make informed investment decision. The Board is committed to provide stable and sustained dividends to the Shareholders, and the Dividend Policy sets the foundation to determine a prudent and disciplined dividend payment to shareholders while preserving the Company's liquidity to capture future growth opportunities. The Board will determine the level of dividends after considering factors which include (i) group performance, (ii) financial condition, (iii) investment requirements, (iv) future prospects, (v) economic and political conditions of the business environment, and (vi) the statutory and regulatory restrictions on the payment of dividends and other factors as may be considered relevant by the Board. The Board will from time to time review the Dividend Policy as appropriate to ensure its continued effectiveness.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditors' report on pages 48 to 52 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

EXTERNAL AUDITOR'S REMUNERATION

During the year ended 31 March 2020, the Group has engaged HLB Hodgson Impey Cheng Limited, as its external auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. Details of the fees paid or payable to HLB Hodgson Impey Cheng Limited during the year are as follows:

	HK$
Audit services	760,000
Non-audit services	128,000
	888,000

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for maintaining the Group's systems of internal control and risk management and reviewing their effectiveness. The internal control and risk management systems of the Group are designed to provide reasonable assurance to minimize risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Group's strategic objectives. The Group has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control.

Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Dissemination of inside information

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with Appendix 10 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") is Ms. Tsui Wai Ting Rosalie whose biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Ms. Tsui Wai Ting Rosalie has confirmed that she had attained no less than 15 hours of relevant professional training during the year ended 31 March 2020 as required by Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of Hong Kong Exchanges and Clearing Limited after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles of Association, an extraordinary general meeting 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 Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two calendar 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.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director of the Company, please refer to the “Procedures for Shareholders to Propose a Person for Election as a Director” of the Company which is posted on the Company’s website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit D, 9/F, Billion Plaza 2, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong
(For the attention of the Board of Directors)
Fax: 852 - 8148 7458
Email: info@leungpui.com.hk

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders’ information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. The Company maintains a website at www.kinshingholdings.com.hk as a communication platform with the Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted an amended and restated Memorandum and Articles of Association ("**Articles**") pursuant to a special resolution passed by the sole Shareholder on 23 May 2017 and the Articles became effective on 16 June 2017. Since then, the Company has not made any changes to its Articles. An up to date version of the Company's Articles is also available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The major operating subsidiary of the Group is an established subcontractor in Hong Kong for more than 20 years. It principally provides formwork works, which can be categorised into two types in terms of the materials mainly used – traditional timber formwork using timber, and plywood and metal formwork system using aluminium and metal.

For the year ended 31 March 2020 (the "**Reporting Period**"), the Group upheld its pledge to provide premium products and services to its customers. At the same time, the Group is fully aware of its responsibility to deliver long-term, sustainable value creation to shareholders and stakeholders.

During the Reporting Period, the Group has adopted both quality and environmental management system models for our formwork works service, which has been assessed and certified as meeting the requirements of International Organisation for Standardisation ("**ISO**") 9001:2008 and ISO 14001:2004. The Groups' requirements for occupational health safety management system developed for controlling health and safety risk related to a business are met and certified with Occupational Health and Safety Assessment Specification ("**OHSAS**") 18001:2007.

To achieve sustainable development, the Group maintains close relationships and continuously communicates with its stakeholders. The communications had enabled the Group to accurately assess the potential impacts of its business activities in the aspects of ESG. The table below highlights the Group's key stakeholders as well as the Group's methods in engaging them:

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	• Shareholders	• Corporate website • Annual and interim financial reports • Seminars • Conference call
Employees	• Senior Management • Employees • Potential recruits	• Training, seminars • Face-to-face meetings • Interviews
Customers	• Real estate developers • Main contractors	• Face-to-face meetings • Designated customer hotline • Interviews
Suppliers/Contractors	• Materials suppliers • Service suppliers • Contractors	• Suppliers assessment • Daily work review • Site inspection/meeting with contractors
Government	• Government • Regulatory authorities	• Written or electronic correspondences

In the following sections, the Group presents its efforts in fulfilling its corporate social responsibility under the "Environmental" and "Social" aspects for the Reporting Period.

I. ENVIRONMENTAL

I.1 Our environmental policy

The "green policy" the Group guides its staff to adopt eco-friendly habits into their work. The objectives of adopting the policy are to reduce energy consumptions in the Group's operations and to raise staff's environmental awareness in aspects such as energy consumption, paper use, and greenhouse gas emissions.

At the same time, straight compliance with the Air Pollution Control (Construction Dust) Regulation, the Waste Disposal Ordinance and the Noise Control Ordinance was adhere to by the Group during the Reporting Period.

Through the efforts of the Group's management and its staff, measures to control and prevent pollutions were executed during the Reporting Period in the following aspects:

a. Air pollution control

At construction sites, dust suppression is carried out by installation of screens and other barriers, as well as spraying of water immediately before, during and after operations that generate dust.

b. Wastage control

In terms of waste management, the Group adopts a hierarchy based on reuse, recycling, reduction, recovery and at the last resort, treatment prior to disposal.

The Group utilizes precast reusable formworks made up of aluminium alloy into its construction works with the view that, since traditional timber formwork cannot be reused, the use of aluminium alloy formworks is more environmentally friendly and helps save tree resources. Further, after the useful life of the aluminium alloy formworks is exhausted, the formworks can be scrapped and recycled in an environmentally friendly manner.

Other non-recyclable materials generated from operations are sorted and delivered to the public fill reception areas or landfills. During the Reporting Period, the Group engaged qualified waste disposing handlers for the collection and removal of construction wastes to ensure compliance with the Waste Disposal Ordinance.

c. Noise pollution control

All of the Group's construction activities are only conducted during the permitted hours and days. Although the use of powered mechanical equipment is limited in our operations, most of the equipment is installed with silence devices.

In response to environmental non-compliances in general, programs for corrective actions will be implemented accordingly to rectify the situation. Regular site walks are performed by the Group's safety officers to check for any environmental non-compliances.

For the Reporting Period, the Group is not aware of any non-compliances with environmental laws and regulations.

I.2 Emissions

In accordance with the "Air Pollution Control Ordinance" laid down by the Environmental Protection Department ("**EPD**"), the Group's machineries use fuel with sulphur content not exceeding 0.005% during industrial processes.

During the Reporting Period, the Group did not use any liquified petroleum gas (LPG) or Towngas and therefore have no relevant greenhouse gas (GHG) emissions to report. At the same time, the Group did not produce any hazardous waste from our operations.

The following presents the Group's GHG emissions for the Reporting Period:

GHG emissions from vehicles:

Aspects 1.1	Unit	2020	2019
Nitrogen oxides	gram	**223,741**	235,994
Sulphur oxides	gram	**481**	521
Respiratory suspended particles	gram	**16,089**	16,971

GHG emissions from mobile combustion sources:

Aspects 1.2	Unit	2020	2019
Scope 1			
Carbon dioxide	kg	**78,018**	84,592
Methane	kg	**95**	100
Nitrous oxide	kg	**1,226**	959

Indirect GHG emission:

Aspects 1.2	Unit	2020	2019
Scope 2			
Indirect GHG Emissions	kg (CO_2 equivalent)	**26,410**	20,881

I.3 Use of Resources

At our office, double-sided printing and copying is encouraged to reduce paper wastage. Scrap paper collection boxes are placed besides printers to facilitate paper reuse.

Our main sources of electricity consumption include air conditioning, office lighting and electrical appliances. Most of the electrical appliances at the Group's office are energy efficient. Energy saving lighting equipment such as fluorescent lamp and LED would be preferred during procurement. Unnecessary lighting and air-conditioners are required to be turned off when they are not in use. Further, air-conditioning temperatures would be set at an environmentally friendly level of around 24 to 26 degree Celsius.

The following presents our direct energy consumption for the Reporting Period:

Direct energy consumption in total and intensity:

Aspects 2.1	Unit	2020	2019
Electricity usage	kWh	41,921	33,144
Electricity usage intensity	kWh/premises	16,769	18,939

II. SOCIAL

II.1 Employment and Labour Practices

The Group's skilled and dedicated industry professionals and staff remains to be the cornerstone of its success. The Group's human resources policy covers aspects such as reward and compensation, discipline, code of conduct, and benefits and welfare. The Group also strives to provide a safe and healthy working environment and career development support to staff.

Compensation and human resources budgets are regularly reviewed by the Group's management to ensure that staff remuneration packages can attract and retain talent and remain competitive within the industry.

The Group's employee handbook is also regularly reviewed and updated to ensure compliance with the Employment Ordinance.

The Group prides itself as an equal opportunity employer. It fully complies with laws and regulations prohibiting unfair discrimination, including the Sex Discrimination Ordinance, the Race Discrimination Ordinance and the Disability Discrimination Ordinance. An employee's age, gender, family status, sexual orientation, physical disability, ethnicity and religion would not in any degree affect his or her chances of joining the Group. The same principle applies to employee appraisal and counselling processes.

During the Reporting Period, the Group has zero tolerance to using forced or child labour, or the hiring of illegal immigrants in either our office or construction sites. The Group confirms that there is no violation of applicable laws and regulations on working hours, salary, benefits and other employment matters during the Reporting Period.

II.2 Protecting staff's health and safety

During the Reporting Period, the Group was certified for ISO 9001, ISO 14001 and OHSAS 18001. The Group's safety department employs safety supervisors and registered safety officers to conduct safety works and monitor compliance with safety relevant laws and regulations. The Group ensures that adequate resources and efforts are used to uphold and improve its safety management system to sufficiently mitigate safety risks to an acceptable level.

Safety plans are required to be prepared for construction projects and details of the plan would be conveyed to employees and subcontractors. Safety trainings are mandatory for employees working at construction sites to attend.

The Group engages registered safety auditors to conduct safety audits to collect, assess and verify information on the efficiency, effectiveness and reliability of the safety management system implemented at sizable construction sites at least once every six months from the works commencement date.

During the Reporting Period, the Group appointed a registered safety auditor to conduct a safety audit on one of the Group's operating subsidiaries and the projects undertaken by it. These audits confirmed that the safety management systems adopted by the Group are adequate and effective.

A safety consultant has also been engaged to conduct random safety inspections for construction projects and to provide safety consultancy service, which includes offering trainings to the Group's directors and senior management and carrying out risk assessment for specific high-risk activities or operations.

During the Reporting Period, no fatal injury cases occurred at our project sites. 9 cases of work injuries were reported during the year ended 31 March 2020.

Responding to the novel corona virus 2019 ("COVID-19") epidemic

Towards the end of the Reporting Period, the Group's operation had been affected by the COVID-19 epidemic. With the aim to safeguard our staff's health, the following measures had been implemented:

– Providing face masks and disinfectant products at head office and site offices for staff use.

– Requiring staff to adhere to the Group's office hygiene requirement in response to COVID-19.

– Placing educational material regarding COVID-19 at head office to raise staff's relevant awareness.

– Requiring staff who have visited foreign countries or any close contacts to quarantine for 14 days from home.

The above measures did not only protect health of our staff but also our customers and the communities closed to the worksites where the Group had operations in.

II.3 Training and Development

The Group offers training sponsorship to those employees who are dedicated to serving the Group and excel at their career.

All new hires would be briefed by their immediate supervisors to better equip them to fulfil their job duties. To ensure safety of employees working at construction sites, adequate safety training and talks are given by the Group's safety supervisor and safety officers. The Group also sponsored employees to join professional training courses relevant to their job duties.

II.4 Supply Chain Management

The Group puts great emphasizes on the policy that only suppliers and subcontractors who can offer the Group with quality products and services will be engaged. Further, the Group will also avoid engaging suppliers or subcontractors with questionable environmental practices. To achieve these, a comprehensive supply chain management system with reference to the ISO certifications has been adopted.

Before ordering timber or plywood, one of the Group's construction materials, the Group will request suppliers to supply a place of origin certificate with each timber or plywood delivery to ensure that only wood products from sustainable sources will be used in construction projects. The certificate will need to be endorsed by internationally recognized institutions such as the Forest Stewardship Council and the American Forest and Paper Association.

If the Group needs to engage new suppliers or subcontractors, sufficient background and quality checking works will be conducted to evaluate the suppliers or subcontractors sourced. To ensure the quality of construction works conducted for customers, the Group's construction teams will regularly carry out inspections at project sites. Suppliers or subcontractors who failed to perform up to the Group's standards will be penalized appropriately.

II.5 Service pledge to our customer

The Group has been certified for ISO 9001:2008 quality management system standards. In other words, detail regulations on customer service standards are incorporated into the Group's quality manual, procedure manual and quality plan.

To understand our customers' needs and thus provide services meeting their expectation, the Group maintains communication with them through regular meetings and day-to-day phone and email correspondence. To ensure that quality works are delivered, building materials will be thoroughly inspected by construction teams before being applied to construction works. If materials from new suppliers are proposed, the materials will need to undergo the necessary testing and approval will need to be obtained from relevant customer.

II.6 Anti-Corruption

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

Various policies and guidelines are in place to avoid breach of the Prevention of Bribery Ordinance. A whistleblowing policy is also in place which allows employees to report to the Directors anonymously any case of unethical behaviour.

During the Reporting Period, no case regarding the violation of relevant laws and regulations on anti-corruption has been identified.

II.7 Community Involvement

Not only does our Directors care about the development of the construction industry, they will also like to give back to the Hong Kong society. The Group encourages its employees to participate in charitable activities and had during the Reporting Period made donations to the following charities:

a. **The Lighthouse Club Hong Kong**
This organization supports the construction industry by the provision of charitable assistance to distressed person within the industry. In the past, it organized events such as technical seminars and safety awards ceremony for fellow members of the construction industry.

b. **Hong Kong China Chamber of Commerce**
This non-profit organization enthuses in organizing different campaigns to promote charity. During the Reporting Period, it organized charitable events such as visiting elderly homes and educational sponsorship for schools.

c. **Joy International Foundation**
This organization is involved in or helps to coordinate the rescue, restoration, reintegration, and prevention of sexual exploitation of children domestically and internationally.

d. **"Walk with Love Campaign"**
The Group donated to a charitable organization who partners with social welfare and charitable institutions to bring love and care to the underprivileged. Donations to the campaign had been used to aid students, low income families, elderlies and persons who are physically handicapped.

e. **Donations for fighting against COVID-19**

The COVID-19 epidemic had widely affected China and Hong Kong. Apart from the aforementioned safety and health measures implemented for our employees, donations were made by the Group to charitable organizations to provide relief to societies affected by the epidemic.

Donations were also made to a religious organization for the purpose of caring for visually impaired persons.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

The Group will continue to uphold its corporate social responsibility and enhance its relevant performance. In the future, the Group aims at enhancing its ESG performance through raising staff's and subcontractor's awareness over environmental protection, dedicating more and more resources to protecting the health and safety of its staff, and participating in various charities to contribute to the Hong Kong society.

REPORT OF THE DIRECTORS

The Directors of the Company submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The principal activities of the Group are the provision of formwork works and building construction works. The principal activities of the subsidiaries of the Company are set out in note 36 to the consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for the year ended 31 March 2020 is set out under the section headed "Management Discussion and Analysis" of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The relationship with stakeholders of the Group during the reporting period is set out in the subsection headed "Relationships with Employees, Customers and Suppliers" on page 9 of this annual report. The content is part of the report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group during the reporting period is set out in the subsection headed "Principal risk and uncertainty" on page 9 of this annual report. The content is part of this report of the Directors.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 March 2020 by operating segment is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53.

The Board did not recommend the payment of a final dividend for the year ended 31 March 2020.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 14 August 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 11 August 2020 to Friday, 14 August 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 10 August 2020.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 126 of this annual report. Such summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 March 2020 are set out in note 16 to the consolidated financial statements.

BANK BORROWINGS

No bank borrowings of the Group were existed during the year ended 31 March 2020.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 March 2020 are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movement in the Group's and the Company's reserves during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity and on page 125, respectively.

DIRECTORS

The Directors during the year ended 31 March 2020 and up to the date of this report were:

Executive Directors

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chow Dik Cheung (Chief executive Officer)
Mr. Chan Sik Mau
Mr. Chiu Sin Nang, Kenny (appointed on 22 May 2020)

Independent Non-executive Directors

Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

In accordance with the provisions of the Company's articles of association, Mr. Leung Chi Kit, Ms. Tso Yuk Ching, Mr. Chow Dik Cheung, Mr. Chan Sik Mau, Mr. Chiu Sin Nang, Kenny, Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

Biographical details of the Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management". Information regarding Directors' emoluments is set out in note 13 to the consolidated financial statements. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules have been received from each of the Independent Non-executive Directors.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company passed on 23 May 2017, the Company adopted a share option scheme (the "**Scheme**") to motivate Eligible Participants (as defined in the scheme) to optimise their performance and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationship with those people whose contributions are, will or expected to be beneficial to the Group. These people include the employees (fulltime or part-time), Directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, shareholders, business partners or service providers of the Group and to recognize their contribution or potential contribution to the development and growth of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the Shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, Independent Non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Directors of the Company may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors of the Company, and will be at least the higher of (i) the closing price of the Company's Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's Shares.

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 23 May 2017) and shall expire at the close of business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of the reporting period. A summary of the principal terms and conditions of the Scheme is set out in Appendix V to the Prospectus.

DIRECTORS' SERVICE CONTRACT

All the Independent Non-executive Directors have entered into a service contract with the Company for a term of one year renewable from time to time unless terminated by not less than one months' notice in writing served by either party on the other.

Apart from the foregoing, no Director 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance to which the Company or any of its subsidiaries was a party in which a Director had a material interest subsisted at the end of the year ended 31 March 2020 or any time during the year ended 31 March 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2020.

EMPLOYEES AND REMUNERATION POLICIES

The employees and remuneration policies of the Group during the reporting period is set out in the subsection headed "Employees and Remuneration Policies" on page 10 of this annual report. The content is part of the report of the Directors.

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

Immediately following completion of the Share Offer and the Capitalisation Issue, interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) held by the Directors and chief executive of the Company which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ Interested in	Approximate percentage of Company's issued share capital
Mr. Leung Chi Kit *(Note 1 and 3)*	Interest in controlled corporation. Interest held jointly with other people	1,125,000,000	75%
Ms. Tso Yuk Ching *(Notes 2)*	Family interest	1,125,000,000	75%

Notes:

1. Five Continental Enterprise Limited ("**Five Continental**") is legally interested in 1,125,000,000 Shares upon Listing. As 85% of shareholding interest of Five Continental is owned by Mr. Leung, Mr. Leung is deemed to be interested in the Shares held by Five Continental under the SFO.

2. Ms. Tso Yuk Ching is the spouse of Mr. Leung. Accordingly, Ms. Tso Yuk Ching is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.

3. On 17 July 2018, Five continental pledged 1,125,000,000 shares in favour of Kingston, an independent third party, as a security of a loan granted to Five Continental in the amount of HK$500,000,000.

(ii) Long position in Five Continental, an associated corporation of the Company

Name of Director	Capacity/Nature	Percentage of shareholding
Mr. Leung Chi Kit	Beneficial owner *(Note)*	85%
Ms. Tso Yuk Ching	Family interest *(Note)*	85%

Note: Mr. Leung is the spouse of Ms. Tso Yuk Ching. Accordingly, Ms. Tso Yuk Ching is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

So far as is known to the Directors and taking no account any Shares which may be issued upon exercise of any options which may be granted under the Scheme, the following persons (not being a Director or chief executive of the Company) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature of Interest	Number of Shares/ Underlying Shares held	Percentage of Company's issued share capital
Mr. Chow Siu Yu *(Note 1)*	Interest in controlled corporation. Interest held jointly with other people.	1,125,000,000	75%
Five Continental Enterprise Limited ("**Five Continental**") *(Notes 2 and 3)*	Beneficial owner. Interest held jointly with other people.	1,125,000,000	75%
Ample Cheer Limited ("**Ample Cheer**") *(Note 4)*	Interest in controlled corporation	1,125,000,000	75%
Best Forth Limited ("**Best Forth**") *(Note 4)*	Interest in controlled corporation	1,125,000,000	75%
Chu Yuet Wah ("**Mrs Chu**") *(Note 4)*	Interest in controlled corporation	1,125,000,000	75%
Kingston Finance Limited ("**Kingston**") *(Note 4)*	Interest in controlled corporation	1,125,000,000	75%

Notes:

1. On 5 August 2016, Mr. Leung Chi Kit, Ms. Tso Yuk Ching and Mr. Chow Siu Yu entered into a Concert Parties Confirmatory Deed (as defined in the Prospectus dated 31 May 2017) to acknowledge and confirm, among other things, that they are parties acting in concert in respect of (i) Leung Pui Form Mould & Engineering Co., Limited ("**Leung Pui**") and Ho Yip Construction Company Limited ("**Ho Yip**") since the incorporation of Leung Pui and Ho Yip and (ii) each of the members of our Group upon the Listing Date and will continue so as of and after the date of the Concert Parties Confirmatory Deed. As such, pursuant to the parties acting in concert arrangement, each of Mr. Leung, Ms. Tso and Mr. Chow is deemed to be interested in 75% of the issued share capital of our Company.

2. Five Continental is owned as to 85% by Mr. Leung Chi Kit and 15% by Mr. Chow Siu Yu, who is the uncle of the Executive Director Mr. Chow Dik Cheung. As Ms. Tso Yuk Ching is the spouse of Mr. Leung, Ms. Tso Yuk Ching is deemed to be interested in the shares of Five Continental held by Mr. Leung. Accordingly, Mrs. Leung is deemed to be interested in the Shares held by Five Continental under the SFO.

3. On 17 July 2018, Five Continental pledged 1,125,000,000 Shares in favour of Kingston, an independent third party, as a security of a loan granted to Five Continental in the amount of HK$500,000,000.

4. Based on the notices of disclosure of interest filed by Ample Cheer, Best Forth, Mrs. Chu and Kingston on 17 July, 2018, Mrs. Chu, Ample Cheer and Best Forth are deemed to be interested in 1,125,000,000 shares of the Company in which Kingston has an interest.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than shareholdings disclosed above, at no time during the year ended 31 March 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 78.9% (2019: 84.7%) and 31.1% (2019: 26.8%) of the Group's total turnover respectively.

During the year ended 31 March 2020, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 74.1% (2019: 68.5%) and 22.5% (2019: 22.1%) of the Group's total purchases respectively.

To the best of the knowledge of the Directors, saved as disclosed in this annual report, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major customers or suppliers.

DEED OF NON-COMPETITION

The controlling shareholders have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under the deed of non-competition dated 23 May 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Date of Listing.

PERMITTED INDEMNITY

Since the Date of Listing till the date of the report, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year ended 31 March 2020 or subsisted at the end of the reporting period.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions, which constituted connected transactions of the Group, with related parties during the year ended 31 March 2020 as set out in note 30 to the consolidated financial statements.

During the year ended 31 March 2020, the Group entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under the Listing Rules in relation to the continuing connected transactions during the year ended 31 March 2020. Details of the continuing connected transaction of the Group for the year ended 31 March 2020 are set out below:

Name of related party	Nature of transaction	2020 HK$'000	2019 HK$'000
King Fu Plastic Products Limited (“**King Fu**”)	Purchases of tools and materials	5,649	11,993

Purchase of merchandises from King Fu Plastic Products Limited (“King Fu”)

On 23 May 2017, Leung Pui Form Mould & Engineering Co., Limited (a subsidiary of the Company) and King Fu entered into a master agreement (the “**King Fu Agreement**”), pursuant to which Leung Pui agreed to purchase and King Fu agreed to supply tools and materials for formwork works to the Group at a price to be determined from time to time. The selling price of the merchandises are to be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties (as defined in the Prospectus dated 31 May 2017). The King Fu Agreement commenced from the Listing Date and ended on 31 March 2020. It is expected that the total purchase from King Fu from the Listing Date for each of the three years ended 31 March 2020 will not exceed HK$11,000,000, HK$12,000,000 and HK$13,000,000 respectively.

To ensure that the purchase price offered by King Fu is fair and reasonable and comparable to those offered by Independent Third Parties and to obtain the prevailing market price, the Group has obtained quotations in relation to the same product type and volume from at least two other independent parties prior to entering into a purchase order with King Fu. The Directors of the Company consider that the above procedures can ensure that the transactions under the King Fu Agreement are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

King Fu is a company with limited liability incorporated in Hong Kong on 10 March 2000 and is a supplier of a wide variety of merchandises which include construction-related tools and materials. Since King Fu is owned as to 50% by Mr. Tso Kwong Wa and 50% by Ms. Wong Siu Fong, who are the brother and sister-in-law of Mrs. Leung respectively, King Fu is a connected person of the Company and the transactions contemplated under the King Fu Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Based on the annual caps under the King Fu Agreement as mentioned above, the relevant percentage ratio is more than 25% and the annual consideration is more than HK$10,000,000. Therefore, the transactions under the King Fu Agreement constitute non-exempt continuing connected transactions and are subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements as set out in Rules 14A.31, 14A.35, 14A.36, 14A.49, 14A.55, 14A.64, 14A.69 and 14A.71 of the Listing Rules. The Board considers that strict compliance with the announcement requirement would be unduly burdensome and would add unnecessary administrative costs to the Company. The Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the King Fu Agreement from strict compliance with the announcement and independent shareholders' approval requirements, as specified by Listing Rules 14A.35 and 14A.36.

The Independent Non-executive Directors have reviewed and confirmed that the above continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In respect of the waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the King Fu Agreement from strict compliance under Listing Rules 14A.35 and 14A.36 granted by the Stock Exchange, the Directors confirmed that the Group does not exceed the annual caps of such transactions from the Date of Listing and up to the year ended 31 March 2020.

COMPETING BUSINESS

For the period from the Date of Listing and up to the date of this report, none of the Directors or the Controlling Shareholders and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

Non-Competition Undertaking by Controlling Shareholders

The Controlling Shareholders had entered into a deed of non-competition in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time) on 23 May 2017 (the "**Deed of Non-Competition**"), details of which are set out in section headed "Relationship with the Controlling Shareholders – Deed of Non-Competition" in the Prospectus. The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The independent non-executive Directors had reviewed and confirmed that there are no matters required to be deliberated by them in relation to the compliance with and enforcement of the Deed of Non-Competition and considered that the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The environmental policies and performance of the Group during the reporting period is set out in the subsection headed "Environmental Policies and Performance" on page 11 of this annual report. The content is part of the report of the Directors.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The compliance with the relevant laws and regulations of the Group during the reporting period is set out in the subsection headed "Compliance with Laws and Regulations" on page 11 of this annual report. The content is part of the report of the Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

DONATION

Charitable donations were made by the Group during the year ended amounted to HK$56,100 (2019: HK$53,000).

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 March 2020 and up to the date of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2020 have been audited by HLB Hodgson Impey Cheng Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

By order of the Board of
Kin Shing Holdings Limited

Leung Chi Kit
Chairman and Executive Director

Hong Kong, 30 June 2020

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

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

TO THE MEMBERS OF
KIN SHING HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Kin Shing Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 53 to 125, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction works	
Refer to note 5 to the consolidated financial statements. The Group's revenue from construction works for the year ended 31 March 2020 amounted to approximately HK$434,647,000. We identified the revenue recognition from construction works as a key audit matter as it is significant to the consolidated statement of profit or loss and other comprehensive income and management's judgment is involved in measuring the value of construction works completed during the year. Most construction works take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the construction contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims and disputes. As disclosed in note 4 to the consolidated financial statements, the management's estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised.	Our procedures in relation to the revenue recognition from construction works included: • Discussing with the Group's quantity surveyor to understand the status of completion of the relevant construction projects during the year; • Assessing the management's estimate of revenue from construction works, by performing the following procedures on a sample basis: (1) Checking to the Group's latest internal construction progress reports to verify the value of construction work completed and compared with the latest payment certificates issued by the customers before and after year end; (2) Assessing the management's estimate of the impact to revenue arising from scope changes made to the original contracts, claims and disputes with reference to supporting documents including variation orders and correspondence among the Group and customers; and (3) Assessing the reasonableness of the gross margin during the year by comparing with the budgeted profit of the whole construction project.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and contract assets	
Refer to note 19 and note 20 to the consolidated financial statements. The carrying amount of the Group's trade receivables and contract assets amounted to approximately HK$59,201,000 (net of allowance for credit losses of approximately HK$533,000) and HK$83,394,000 (net of allowance for credit losses of approximately HK$474,000) respectively as at 31 March 2020. We identified the expected credit loss ("**ECL**") for trade receivables and contract assets as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, combined with the significant degree of estimations by management of the Group in estimation of ECL for trade receivables and contract assets which may affect their carrying amounts. As disclosed in note 4 to the consolidated financial statements, management assesses the ECL for trade receivables and contract assets based on the historical default rates, financial capability of the individual debtors and the forward-looking information.	Our procedures in relation to the recoverability of trade receivables and contract assets included: • Obtaining an understanding of how management assesses the ECL for trade receivables and contract assets; • Obtaining the aging of trade receivables and contract assets, reviewing their history of repayment and the managements' assessment on the financial capability of the debtors; and • Evaluating management's basis and judgement in determining credit loss allowance on trade receivables and contract assets.

Other Information

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

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

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

Responsibilities of Directors and 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in the independent auditors' report is Hui Chun Keung, David.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	434,647	850,565
Direct costs		(422,041)	(802,880)
Gross profit		12,606	47,685
Other income	7	449	2,404
Other losses	8	(9)	(36,571)
Impairment losses under expected credit loss model	9	(1,007)	–
Administrative expenses		(21,532)	(23,955)
Finance costs	10	(2,730)	(2,812)
Loss before tax		(12,223)	(13,249)
Income tax credit/(expense)	11	1,392	(6,070)
Loss and total comprehensive expense for the year	12	(10,831)	(19,319)
Loss and total comprehensive expense for the year attributable to owners of the Company		(10,831)	(19,319)
Loss per share	14		
– Basic (HK cents)		(0.72)	(1.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	18,455	22,758
Right-of-use assets	17	3,515	–
Investment in a joint venture	18	–	–
Deposits for acquisition of property, plant and equipment		6,723	–
Deferred tax assets	26	1,494	2,294
		30,187	25,052
Current assets			
Trade and other receivables	19	60,401	94,504
Contract assets	20	83,394	128,853
Tax recoverable		5,053	3,427
Cash and cash equivalents	21	187,521	181,688
		336,369	408,472
Total assets		366,556	433,524
Current liabilities			
Trade and other payables	22	57,794	89,298
Amount due to a joint venture	18	5	5
Amount due to a related company	23	139,723	137,023
Amount due to a director	24	1,414	30,078
Lease liabilities	25	2,381	–
Tax payable		7	3
		201,324	256,407
Net current assets		135,045	152,065
Total assets less current liabilities		165,232	177,117

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred tax liabilities	26	–	2,196
Lease liabilities	25	1,142	–
		1,142	2,196
Net assets		164,090	174,921
Capital and reserves			
Share capital	27	15,000	15,000
Reserves		149,090	159,921
Total equity		164,090	174,921

The consolidated financial statements on pages 53 to 125 were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

Leung Chi Kit
Director

Chow Dik Cheung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK$'000 *(Note 27)*	Share premium HK$'000	Other reserve HK$'000 *(Note)*	Retained profits HK$'000	Total HK$'000
As at 1 April 2018	15,000	75,694	140	103,406	194,240
Loss and total comprehensive expense for the year	–	–	–	(19,319)	(19,319)
As at 31 March 2019	**15,000**	**75,694**	**140**	**84,087**	**174,921**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(10,831)**	**(10,831)**
As at 31 March 2020	**15,000**	**75,694**	**140**	**73,256**	**164,090**

Note: Other reserve represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired upon the group reorganisation and the consideration paid for the acquisition.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Loss before tax	(12,223)	(13,249)
Adjustments for:		
Finance costs	2,730	2,812
Interest income	(190)	(371)
Depreciation of property, plant and equipment	7,270	6,287
Depreciation of right-of-use assets	488	–
Impairment losses under expected credit loss model	1,007	–
Operating cash flows before movements in working capital	(918)	(4,521)
Decrease/(Increase) in trade and other receivables	33,570	(24,496)
Decrease/(Increase) in contract assets	44,985	(13,337)
(Decrease)/Increase in trade and other payables	(31,504)	32,016
Decrease in contract liabilities	–	(17,273)
Cash generated from/(used in) operations	46,133	(27,611)
Income tax refunded	1,609	7,082
Income tax paid	(3,235)	(3,845)
Net cash generated from/(used in) operating activities	44,507	(24,374)
Investing activities		
Interest received	190	371
Deposits for acquisition of property, plant and equipment	(6,723)	–
Purchases of property, plant and equipment	(2,967)	(9,324)
Net cash used in investing activities	(9,500)	(8,953)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Financing activities		
Advance from a related company	–	165,000
Repayment to a related company	–	(30,000)
(Repayments to)/Advances from a director	(28,664)	30,078
Interest paid	–	(789)
New bank loans raised	–	85,000
Repayments of bank loans	–	(126,712)
Repayments of lease liabilities	(510)	–
Net cash (used in)/generated from financing activities	(29,174)	122,577
Net increase in cash and cash equivalents	5,833	89,250
Cash and cash equivalents at the beginning of year	181,688	92,438
Cash and cash equivalents at the end of year	187,521	181,688
Represented by:		
Bank balances and cash	54,576	48,841
Cash held by securities broker	132,945	132,847
	187,521	181,688

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 April 2016. Its parent and ultimate holding company is Five Continental Enterprise Limited ("**Five Continental**"), a company incorporated in the British Virgin Islands and controlled by Mr. Leung Chi Kit, Mr. Chow Siu Yu and Ms. Tso Yuk Ching. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 June 2017. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Group is principally engaged in the provision of formwork works and building construction works.

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

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

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

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

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

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

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

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

2.1 HKFRS 16 *Leases*

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

Definition of a lease

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

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The application of lessor accounting requirements in HKFRS 16 has had no material impact on the consolidated financial statements of the Group for the current year.

As a lessee

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

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

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

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

2.1 HKFRS 16 *Leases* *(Continued)*

As a lessee (Continued)

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.97%.

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	2,283
Lease liabilities discounted at relevant incremental borrowing rates	2,252
Less: Recognition exemption – short-term leases	(1,838)
Recognition exemption – low value assets	(29)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	385
Analysed as	
Current	89
Non-current	296
	385

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

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

2.1 HKFRS 16 *Leases* *(Continued)*

As a lessee (Continued)

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	At 1 April 2019 HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	385
By class:	
Office equipment	385

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Right-of-use assets	–	385	385
Current liabilities			
Lease liabilities	–	89	89
Non-current liabilities			
Lease liabilities	–	296	296

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2020.
[5] Effective for annual periods beginning on or after 1 June 2020.

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

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

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

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

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

The principal accounting policies are set out below.

Basis of consolidation

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

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in joint ventures *(Continued)*

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments* ("**HKFRS 9**"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue from contracts with customers

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

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

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

Output method

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

Variable consideration

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Existence of significant financing component

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

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Costs to fulfil a contract

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

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

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assess whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend 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 the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease liabilities (Continued)

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessee (prior to 1 April 2019)

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risk and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

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

Share-based payments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amounts of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assess whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment and right-of-use assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Provisions

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

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

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits, 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 (if any).

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, contract assets, deposits, other receivables, cash held by securities broker and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(a) Measurement of the value of construction works

Management measures the value of completed construction work based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction work transferred to the customer to date relative to the remaining construction works promised to be completed under the construction contract. Most construction works take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the construction contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims and disputes. The management's estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The Group has the quantity surveyor to periodically measure the value of the construction work completed for each construction projects and issue the internal construction progress reports. The construction works performed by the Group would also be certified by the customers periodically according to the construction contracts. The Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progresses based on the internal construction progress reports and the payment certificates issued by the customers.

(b) Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets are assessed for ECL individually based on the historical default rates and the financial capability of individual debtors taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical default rates are reassessed and changes in the financial capability of individual debtors and the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in note 35.

5. REVENUE

The following is an analysis of the Group's revenue from its major services:

	2020 HK$'000	2019 HK$'000
Provision of formwork works and related ancillary works	434,647	850,565
Provision of building construction works	–	–
	434,647	850,565

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 March 2020

Segments	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Type of services			
Formwork works	434,647	–	434,647
Geographical markets			
Hong Kong	434,647	–	434,647
Timing of revenue recognition			
Over time	434,647	–	434,647

For the year ended 31 March 2019

Segments	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Type of services			
Formwork works	850,565	–	850,565
Geographical markets			
Hong Kong	850,565	–	850,565
Timing of revenue recognition			
Over time	850,565	–	850,565

5. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers

Construction service

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the value of completed construction work using output method.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

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

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

The transaction price allocated to the remaining performance obligations arising from construction contracts (unsatisfied or partially unsatisfied) as at the end of the reporting period and the expected timing of recognising revenue are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	194,684	276,130
More than one year but not more than two years	131,610	133,263
More than two years	98,631	58,898
	424,925	468,291

6. SEGMENT INFORMATION

Information reported to the Company's Executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on the types of services provided. The Group's reportable and operating segments under "HKFRS 8 – Operating Segments" are as follows:

1. Formwork works – Provision of formwork works and related ancillary works

2. Building construction works – Provision of building construction works

Segment revenue and results

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

For the year ended 31 March 2020

	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Revenue			
External sales and segment revenue	434,647	–	434,647
Segment profit/(loss)	521	(10)	511
Interest income			190
Unallocated expenses			(10,194)
Finance costs			(2,730)
Loss before tax			(12,223)

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2019

	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Revenue			
External sales and segment revenue	850,565	–	850,565
Segment profit/(loss)	38,016	(12)	38,004
Interest income			371
Loss from change in fair value of financial assets at fair value through profit or loss			(36,565)
Unallocated expenses			(12,247)
Finance costs			(2,812)
Loss before tax			(13,249)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of interest income, loss from changes in fair value of financial assets at fair value through profit or loss, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

There were no sales transactions between the operating segments.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	2020 HK$'000	2019 HK$'000
Segment assets		
Formwork works	171,479	245,047
Building construction works	860	860
Total segment assets	172,339	245,907
Unallocated	194,217	187,617
Consolidated assets	366,556	433,524
Segment liabilities		
Formwork works	56,514	88,139
Building construction works	8	8
Total segment liabilities	56,522	88,147
Unallocated	145,944	170,456
Consolidated liabilities	202,466	258,603

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

- all assets are allocated to operating segments other than cash and cash equivalents, tax recoverable, deferred tax assets, investment in a joint venture and unallocated corporate assets.

- all liabilities are allocated to operating segments other than amount due to a joint venture, amount due to a related company, amount due to a director, tax payable, deferred tax liabilities, lease liabilities and unallocated corporate liabilities.

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2020

	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets *(Note)*	13,308	–	13,308
Depreciation	7,758	–	7,758
Impairment losses on trade receivables recognised in profit or loss	533	–	533
Impairment losses on contract assets recognised in profit or loss	474	–	474

For the year ended 31 March 2019

	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets *(Note)*	9,621	–	9,621
Depreciation	6,287	–	6,287

Note: Non-current assets excluded deferred tax assets.

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue is derived from external customers located in Hong Kong and the Group's non-current assets are all located in Hong Kong.

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A[1]	135,118	228,150
Customer B[1]	N/A[2]	164,673
Customer C[1]	N/A[2]	159,379
Customer D[1]	71,830	N/A[2]
Customer E[1]	N/A[2]	128,488
Customer F[1]	55,319	N/A[2]

1 Revenue from Formwork works.

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

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income from cash and cash equivalents	190	268
Interest income from loan receivables	–	103
Rental income	259	1,842
Sales of scrap materials	–	39
Sundry income	–	152
	449	2,404

8. OTHER LOSSES

	2020 HK$'000	2019 HK$'000
Loss from changes in fair value of financial assets at fair value through profit or loss	–	36,565
Net foreign exchange loss	9	6
	9	36,571

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020 HK$'000	2019 HK$'000
Impairment losses recognised on:		
Trade receivables	533	–
Contract assets	474	–
	1,007	–

Details of impairment assessment were set out in note 35.

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest expense on:		
Bank loans and overdrafts	–	789
Lease liabilities	30	–
Amount due to a related company	2,700	2,023
	2,730	2,812

11. INCOME TAX (CREDIT)/EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	7	3,787
– Over provision in prior year	(3)	–
	4	3,787
Deferred tax *(Note 26)*:		
Origination and reversal of temporary differences	(1,396)	2,283
	(1,392)	6,070

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

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

	2020 HK$'000	2019 HK$'000
Loss before tax	(12,223)	(13,249)
Tax at Hong Kong Profits Tax rate of 16.5%	(2,017)	(2,186)
Tax effect of expenses not deductible for tax purpose	501	6,537
Tax effect of income not taxable for tax purpose	(15)	(44)
Tax effect of tax losses not recognised	104	1,984
Utilisation of tax losses previously not recognised	–	(11)
Over provision in prior year	(3)	–
Income tax at concessionary rate	(7)	(165)
Others	45	(45)
Tax (credit)/charge for the year	(1,392)	6,070

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020 HK$'000	2019 HK$'000
Directors' emoluments *(Note 13)*	7,506	7,691
Other staff costs	150,436	396,738
Contributions to retirement benefit scheme, excluding those of directors	6,601	14,094
Total staff costs	164,543	418,523
Depreciation of property, plant and equipment	7,270	6,287
Depreciation of right-of-use assets	488	–
Total depreciation	7,758	6,287
Auditors' remuneration	760	800

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and Chief Executive's emoluments

The emoluments paid or payable to the directors and Chief Executive Officer of the Company by the Group during the year were as follows:

For the year ended 31 March 2020

Name of directors	Fees	Other emoluments		Total
		Salaries and allowances	Contributions to retirement benefit scheme	
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Mr. Leung Chi Kit	–	2,888	18	2,906
Ms. Tso Yuk Ching	–	2,107	18	2,125
Mr. Chow Dik Cheung	–	952	18	970
Mr. Chan Sik Mau	–	902	18	920
Independent Non-executive Directors				
Mr. Chang Chun Pong	195	–	–	195
Mr. Tsui Leung Cho	195	–	–	195
Mr. Lam Kai Yeung	195	–	–	195
	585	6,849	72	7,506

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' and Chief Executive's emoluments *(Continued)*

For the year ended 31 March 2019

Name of directors	Fees	Other emoluments: Salaries and allowances	Other emoluments: Contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Mr. Leung Chi Kit	–	2,896	18	2,914
Ms. Tso Yuk Ching	–	2,115	18	2,133
Mr. Chow Dik Cheung	–	1,003	18	1,021
Mr. Chan Sik Mau	–	967	18	985
Mr. Xiong Wei *(note)*	–	90	5	95
Independent Non-executive Directors				
Mr. Chang Chun Pong	181	–	–	181
Mr. Tsui Leung Cho	181	–	–	181
Mr. Lam Kai Yeung	181	–	–	181
	543	7,071	77	7,691

Note: Appointed on 5 July 2018 and resigned on 10 October 2018.

Mr. Chow Dik Cheung is also the Chief Executive Officer of the Company and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.

The Executive Directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

The Independent Non-executive Directors' remuneration shown above were mainly for their services as directors of the Company.

None of the Company's directors waived or agreed to waive any emoluments during the year (2019: Nil).

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments

The five highest paid employees of the Group during the year included four (2019: four) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining one (2019: one) highest paid employee who is neither a director nor Chief Executive Officer of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	834	748
Contributions to retirement benefit scheme	18	18
Total emoluments	852	766

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2020 (Number of employees)	2019 (Number of employees)
Nil to HK$1,000,000	1	1

During the year, no emoluments were paid by the Group to any of the Company's directors or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

14. LOSS PER SHARE

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

	2020 HK$'000	2019 HK$'000
Loss		
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	**(10,831)**	(19,319)

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,500,000**	1,500,000

No diluted loss per share for the years ended 31 March 2020 and 2019 were presented as there were no potential ordinary shares in issue for both years.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Motor vehicle HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Tools HK$'000	Total HK$'000
Cost						
As at 1 April 2018	727	2,210	211	392	22,173	25,713
Additions	–	859	69	–	8,693	9,621
As at 31 March 2019	727	3,069	280	392	30,866	35,334
Additions	–	–	147	–	2,820	2,967
As at 31 March 2020	727	3,069	427	392	33,686	38,301
Accumulated depreciation						
As at 1 April 2018	339	952	48	328	4,622	6,289
Provided for the year	146	614	49	36	5,442	6,287
As at 31 March 2019	485	1,566	97	364	10,064	12,576
Provided for the year	145	614	76	26	6,409	7,270
As at 31 March 2020	630	2,180	173	390	16,473	19,846
Carrying amounts						
As at 31 March 2020	97	889	254	2	17,213	18,455
As at 31 March 2019	242	1,503	183	28	20,802	22,758

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

Leasehold improvement	Over the shorter of the term of the lease or 5 years
Motor vehicle	20%
Office equipment	20%
Furniture and fixtures	20%
Tools	20%

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group leases out a number of tools under operating leases. The leases typically run for an initial period of 1 day to 1 month. None of the leases includes variable lease payments. The disaggregation of these tools under operating leases and the reconciliation of the carrying amount at the beginning and end of the period are set out as below:

	HK$'000
Cost	
As at 1 April 2019	710
Additions	129
As at 31 March 2020	839
Accumulated depreciation	
As at 1 April 2019	83
Provided for the year	153
As at 31 March 2020	236
Carrying amounts	
As at 31 March 2020	603

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Office equipment HK$'000	Total HK$'000
As at 1 April 2019			
Carrying amount	–	385	385
As at 31 March 2020			
Carrying amount	3,224	291	3,515
For the year ended 31 March 2020			
Depreciation charge	394	94	488
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			7,943
Expense relating to leases of low value assets, excluding short-term leases of low value assets			28
Total cash outflow for leases			8,481
Additions to right-of-use assets			3,618

For both years, the Group leases various offices, warehouses and office equipment for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, lease liabilities of approximately HK$3,523,000 are recognised with related right-of-use assets of approximately HK$3,515,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. INVESTMENT IN/AMOUNT DUE TO A JOINT VENTURE

	2020 HK$'000	2019 HK$'000
Cost of unlisted investment in joint venture	5	5
Share of post-acquisition loss and other comprehensive income	(5)	(5)
	–	–

The amount due to a joint venture is non-trade nature, unsecured, interest-free and repayable on demand.

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of joint venture	Place of incorporation/ operations	Proportion ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2020	2019	2020	2019	
New Allied (H.K.) Limited	Hong Kong	50%	50%	50%	50%	Provision of building maintenance and renovation services

18. INVESTMENT IN/AMOUNT DUE TO A JOINT VENTURE *(Continued)*

Summarised financial information of joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2020 HK$'000	2019 HK$'000
Current assets	10	10
Non-current assets	–	–
Current liabilities	(15)	(9)
Non-current liabilities	–	–
Net (liabilities)/assets	(5)	1

	2020 HK$'000	2019 HK$'000
Revenue	–	–
Loss for the year	(6)	–
Other comprehensive income for the year	–	–
Total comprehensive expense for the year	(6)	–
Dividends received from the joint venture during the year	–	–

18. INVESTMENT IN/AMOUNT DUE TO A JOINT VENTURE *(Continued)*

Summarised financial information of joint venture *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the investment in the joint venture recognised in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Net (liabilities)/assets of the joint venture	(5)	1
Proportion of the Group's ownership interest in the joint venture	50%	50%
The Group's share of net (liabilities)/assets of the joint venture	(2)	–
Cumulative unrecognised share of loss of the joint venture	2	–
Carrying amount of the Group's interest in the joint venture	–	–

	2020 HK$'000	2019 HK$'000
The unrecognised share of loss of the joint venture for the year	(2)	–
Cumulative unrecognised share of loss of the joint venture	(2)	–

19. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	59,734	91,462
Less: Allowance for credit losses	(533)	–
	59,201	91,462
Prepayments	396	213
Deposits and other receivables	804	2,829
	60,401	94,504

As at 1 April 2018, trade receivables from contracts with customers amounted to approximately HK$69,541,000.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aging analysis of the Group's trade receivables net of allowance for credit losses at the end of the reporting period, presented based on the progress payment certificate date:

	2020	2019
	HK$'000	HK$'000
0–30 days	**36,516**	49,373
31–60 days	**12,602**	22,687
Over 60 days	**10,083**	19,402
	59,201	91,462

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$20,157,000 (2019: HK$32,481,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$2,780,000 (2019: Nil) has been past due 90 days or more and is not considered as in default as the directors of the Company are of the opinion that these balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

Details of impairment assessment of trade and other receivables are set out in note 35.

20. CONTRACT ASSETS

	2020	2019
	HK$'000	HK$'000
Unbilled revenue *(note (a))*	**18,514**	65,684
Retention money receivables *(note (b))*	**65,354**	63,169
	83,868	128,853
Less: Allowance for credit losses	**(474)**	–
	83,394	128,853

As at 1 April 2018, contract assets amounted to approximately HK$115,516,000.

20. CONTRACT ASSETS *(Continued)*

Notes:

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention money receivables included in contract assets represents the Group's right to receive consideration for work performed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. Those expected to be realised more than twelve months are as follows:

	2020 HK$'000	2019 HK$'000
Retention money receivables after one year	44,392	59,141

Details of the impairment assessment are set out in note 35.

21. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Bank balances and cash	54,576	48,841
Cash held by securities broker	132,945	132,847
	187,521	181,688

Bank balances comprise short-term bank deposits with an original maturity of three months or less at the end of the reporting period. The bank balances carry interest at market rates which range from 0.001% to 0.25% (2019: 0.01% to 1.10%).

22. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	15,346	19,365
Accruals and other payables		
– Accrued salaries	19,529	32,733
– Accrued sub-contracting fee	15,295	29,495
– Others	7,624	7,705
	57,794	89,298

The following is an aging analysis of the Group's trade payables at the end of the reporting period, presented based on the invoice date:

	2020 HK$'000	2019 HK$'000
0–30 days	1,798	1,421
31–60 days	2,406	1,602
61–90 days	4,249	4,864
Over 90 days	6,893	11,478
	15,346	19,365

At the end of the reporting period, the amount due to a connected party included in the Group's trade payables is as follows:

	2020 HK$'000	2019 HK$'000
King Fu Plastic Products Limited ("**King Fu**")	2,390	3,663

King Fu is owned as to 50% by Mr. Tso Kwong Wa and 50% by Ms. Wong Siu Fong, who are the brother and sister-in-law of Ms. Tso Yuk Ching respectively.

23. AMOUNT DUE TO A RELATED COMPANY

The amount represents a balance due to Century Bond Limited ("**Century Bond**"), a company controlled by Mr. Leung Chi Kit, a director of the Company. The amount due to a related company is non-trade nature, unsecured, interest-bearing at 2% per annum and repayable on demand.

24. AMOUNT DUE TO A DIRECTOR

The amount due to a director is non-trade nature, unsecured, interest-free and repayable on demand.

25. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	2,381
More than one year, but not more than two years	1,034
More than two years, but not more than five years	108
	3,523
Less: Amount due for settlement with 12 months shown under current liabilities	(2,381)
Amount due for settlement after 12 months shown under non-current liabilities	1,142

In October 2019, the Group entered into a new lease agreement for the use of office with Five Dragons Properties Limited ("**Five Dragons Properties**"), a company in which Mr. Leung Chi Kit and Ms. Tso Yuk Ching have beneficial interests, for 2 years. As at 31 March 2020, lease liabilities payable to Five Dragons Properties amounted to approximately HK$965,000.

26. DEFERRED TAX

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

	2020 HK$'000	2019 HK$'000
Deferred tax assets	1,494	2,294
Deferred tax liabilities	–	(2,196)
	1,494	98

26. DEFERRED TAX *(Continued)*

The following is the major deferred tax assets/(liabilities) recognised and movements thereon during the year:

	Unrealised profits of intercompany transactions	ECL provision	Tax losses	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2018	4,353	–	–	(1,972)	2,381
Charge to profit or loss	(2,059)	–	–	(224)	(2,283)
As at 31 March 2019	**2,294**	**–**	**–**	**(2,196)**	**98**
(Charge)/Credit to profit or loss	**(1,713)**	**161**	**2,400**	**548**	**1,396**
As at 31 March 2020	**581**	**161**	**2,400**	**(1,648)**	**1,494**

As at 31 March 2020, the Group has unused tax losses of approximately HK$27,846,000 (2019: HK$12,158,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$14,999,000 (2019: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$12,847,000 (2019: HK$12,158,000) due to the unpredictability of future profit streams in the respective entities. The tax losses may carry forward indefinitely.

In addition, the Group did not recognise deferred tax asset in respect of deductible temporary differences associated with decelerated tax depreciation amounting to approximately HK$2,000 (2019: HK$2,000) as at 31 March 2020 due to the unpredictability of future profit streams in the respective entities.

27. SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2018, 31 March 2019 and 31 March 2020	3,120,000	31,200
Issued and fully paid:		
As at 1 April 2018, 31 March 2019 and 31 March 2020	1,500,000	15,000

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 23 May 2017 and will expire on 22 May 2027. The purpose of the Share Option Scheme is to provide directors, employees of any member of the Group and other eligible participants who have made contributed or will contribute to the Group with an opportunity to acquire proprietary interests in the Company and to motivate eligible participants to optimise their performance and efficiency for the benefit of the Group and maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the total number of the Company's share in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Board of Directors may determine which shall not exceed 10 years from the date of grant. The exercise price is determined by the Board of Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share option has been granted since the adoption of the Share Option Scheme.

29. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% of relevant payroll costs to the scheme, which contribution is matched by employees and subject to a monthly cap of HK$1,500 for each employee.

The total expenses recognised in profit or loss amount to approximately HK$6,673,000 (2019: HK$14,171,000) for the year and represent contributions payable to this scheme by the Group at rate specified in the rules of the scheme.

30. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Transactions with connected or related parties

During the year, the Group entered into the following significant transactions with connected or related parties:

Name of connected/ related party	Nature of transaction	2020 HK$'000	2019 HK$'000
King Fu	Purchases of tools and materials *(note (ii))*	5,649	11,993
Five Dragons Properties	Expenses relating to short-term lease *(note (iii))*	368	–
	Operating lease expense *(note (iii))*	–	631
	Interest expense on lease liabilities	16	–
San Yip Decoration Company Limited ("**San Yip**") *(note (i))*	Interest income *(note (iv))*	–	103
	Rental income *(note (v))*	–	203
Century Bond	Interest expense *(note (vi))*	2,700	2,023

Notes:

(i) San Yip is a company in which Mr. Leung Chi Kit, the director of the Company, has significant influence.

(ii) The purchases of tools and materials were made according to market prices.

(iii) In October 2017, the Group entered into a lease agreement for the use of office with Five Dragons Properties for 2 years.

(iv) The interest income is charged at a rate with reference to the prevailing market rate.

(v) The rental income is charged at a rent with reference to the prevailing market rent.

(vi) The interest expense is charged at 2% per annum.

30. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with connected or related parties

Details of outstanding balances with connected or related parties of the Group at the end of the reporting period are set out in notes 18, 22, 23, 24 and 25.

(c) Compensation to key management personnel

Compensation to key management personnel of the Group which represents directors of the Company, during the year are as follows:

	2020 HK$'000	2019 HK$'000
Short-term benefits	7,434	7,614
Post-employment benefits	72	77
	7,506	7,691

31. OPERATING LEASES

The Group as lessee

	2019 HK$'000
Minimum lease payments paid under operating leases	
– Premises	2,260
– Equipment	5,174
	7,434

The Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2019 HK$'000
Within one year	1,968
In the second to fifth years inclusive	315
	2,283

Operating lease payments represent rentals payable by the Group for its premises and equipment. Leases are negotiated for an average term of 2 years and rentals are fixed throughout the lease period.

32. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	8,651	–

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK$'000	Lease liabilities HK$'000	Amount due to a joint venture HK$'000	Amount due to a related company HK$'000	Amount due to a director HK$'000	Total HK$'000
At 1 April 2018	41,712	–	5	–	–	41,717
Financing cash flows	(41,712)	–	–	135,000	30,078	123,366
Interest expense	–	–	–	2,023	–	2,023
At 31 March 2019	–	–	5	137,023	30,078	167,106
Adjustment upon application of HKFRS 16	–	385	–	–	–	385
At 1 April 2019 (restated)	–	385	5	137,023	30,078	167,491
Financing cash flows	–	(510)	–	–	(28,664)	(29,174)
New leases entered	–	3,618	–	–	–	3,618
Interest expense	–	30	–	2,700	–	2,730
At 31 March 2020	–	3,523	5	139,723	1,414	144,665

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes amount due to a joint venture, amount due to a related company, amount due to a director and lease liabilities) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group monitors its capital structure on the basis of gearing ratio. The Group considers the cost of capital and the risks associated with each class of the capital, and will balance the gearing ratio through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at the end of the reporting period was as follows:

	2020 HK$'000	2019 HK$'000
Debt	144,665	167,106
Equity	164,090	174,921
Gearing ratio	88%	96%

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	60,005	94,291
– Cash and cash equivalents	187,521	181,688
	247,526	275,979
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	57,794	89,298
– Amount due to a joint venture	5	5
– Amount due to a related company	139,723	137,023
– Amount due to a director	1,414	30,078
– Lease liabilities	3,523	–
	202,459	256,404

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables, amount due to a joint venture, amount due to a related company, amount due to a director and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

Foreign currency risk

The Group has certain financial assets denominated in foreign currencies, which exposure to the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2020	2019
	HK$'000	HK$'000
Monetary assets denominated in:		
– Renminbi ("**RMB**")	**195**	96

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate advance from a related company and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors of the Company consider the Group's exposure to cash flow interest rate risk is not significant and therefore no sensitivity analysis has been prepared.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, deposits, other receivables, cash held by securities broker and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables and contract assets individually. Impairment of approximately HK$533,000 (2019: Nil) and HK$474,000 (2019: Nil) were recognised for trade receivables and contract assets respectively during the year. Details of the quantitative disclosures are set out below in this note.

The Group has concentration of credit risk on trade receivables as 31% (2019: 31%) and 91% (2019: 70%) of total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Deposits and other receivables

The directors of the Company make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2020 and 2019, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

Cash held by securities broker

The Group regularly monitors the financial position and the business performance of the securities broker. The directors of the Company believe that there is no significant increase in credit risk of this amount since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 March 2020 and 2019, the Group assessed the ECL for cash held by securities broker was insignificant and thus no loss allowance was recognised.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Bank balances

The credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

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

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past due amounts or has past due amounts which are past due less than 30 days	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The table below details the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m ECL or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised cost:					
Trade receivables	N/A	Low risk	Lifetime ECL (not credit-impaired)	38,516	91,462
	N/A	Doubtful	Lifetime ECL (not credit-impaired)	21,218	–
Deposits and other receivables	N/A	Low risk	12m ECL	804	2,829
Cash held by securities broker	N/A	Low risk	12m ECL	132,945	132,847
Bank balances	A2 to Aa1	N/A	12m ECL	54,515	48,795
Other items:					
Contract assets	N/A	Low risk	Lifetime ECL (not credit-impaired)	68,629	128,853
	N/A	Doubtful	Lifetime ECL (not credit-impaired)	15,239	–

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on these assets are assessed individually. The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking macroeconomic data.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 April 2018	–
Impairment losses recognised	–
As at 31 March 2019	–
Impairment losses recognised	533
As at 31 March 2020	533

The following tables show reconciliation of loss allowances that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 April 2018	–
Impairment losses recognised	–
As at 31 March 2019	–
Impairment losses recognised	474
As at 31 March 2020	474

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

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

Liquidity table

Non-derivative financial liabilities	Weighted average interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flows	Total carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2020						
Trade and other payables	–	57,794	–	–	57,794	57,794
Amount due to a joint venture	–	5	–	–	5	5
Amount due to a related company	2%	139,723	–	–	139,723	139,723
Amount due to a director	–	1,414	–	–	1,414	1,414
Lease liabilities	3.78%	2,473	1,049	111	3,633	3,523
		201,409	1,049	111	202,569	202,459
2019						
Trade and other payables	–	89,298	–	–	89,298	89,298
Amount due to a joint venture	–	5	–	–	5	5
Amount due to a related company	2%	137,023	–	–	137,023	137,023
Amount due to a director	–	30,078	–	–	30,078	30,078
		256,404	–	–	256,404	256,404

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Paid up issued capital	Proportion ownership interest held by the Company 2020	2019	Principal activities
Hin Lone Holdings Limited	The British Virgin Islands	Ordinary	US$1	100% (direct)	100% (direct)	Investment holding
Mega Builder Holdings Limited	The British Virgin Islands	Ordinary	US$100	100% (direct)	100% (direct)	Investment holding
Giant Dragon Holdings Limited	The British Virgin Islands	Ordinary	US$100	100% (direct)	100% (direct)	Securities investment
Leung Pui Form Mould & Engineering Co. Limited	Hong Kong	Ordinary	HK$20,000	100% (indirect)	100% (indirect)	Timber formwork and metal formwork
Five Dragons Form Mould Limited	Hong Kong	Ordinary	HK$1	100% (indirect)	100% (indirect)	Timber formwork and metal formwork
Ho Yip Construction Company Limited	Hong Kong	Ordinary	HK$20,000	100% (indirect)	100% (indirect)	Building construction works
Mastery Engineering Limited	Hong Kong	Ordinary	HK$100,000	100% (indirect)	100% (indirect)	Timber formwork
Kin Wo Form Mould Engineering Limited	Hong Kong	Ordinary	HK$1	100% (indirect)	100% (indirect)	Timber formwork
China Sino International Limited	Hong Kong	Ordinary	HK$100	100% (indirect)	100% (indirect)	Inactive

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

As at 31 March 2020

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments in subsidiaries	2	2
Current assets		
Amounts due from subsidiaries	74,757	74,853
Prepayments	148	208
Bank balances	255	383
	75,160	75,444
Current liabilities		
Accruals	1,256	1,123
Net current assets	73,904	74,321
Total assets less current liabilities	73,906	74,323
Capital and reserves		
Share capital	15,000	15,000
Reserves	58,906	59,323
Total equity	73,906	74,323

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

Leung Chi Kit
Director

Chow Dik Cheung
Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves:

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2018	75,694	(4,287)	71,407
Loss and total comprehensive expense for the year	–	(12,084)	(12,084)
As at 31 March 2019	75,694	(16,371)	59,323
Loss and total comprehensive expense for the year	–	(417)	(417)
As at 31 March 2020	75,694	(16,788)	58,906

5 YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**434,647**	850,565	576,856	770,159	599,354
(Loss)/Profit before tax	**(12,223)**	(13,249)	32,660	84,089	55,104
Income tax credit/(expense)	**1,392**	(6,070)	(5,380)	(16,518)	(8,949)
(Loss)/Profit and total comprehensive (expense)/ income for the year	**(10,831)**	(19,319)	27,280	67,571	46,155
(Loss)/Profit and total comprehensive (expense)/ income for the year attributable to owners of the Company	**(10,831)**	(19,319)	27,280	67,571	46,155

	At 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**366,556**	433,524	324,171	234,510	141,043
Total liabilities	**202,466**	258,603	119,577	147,890	118,994
Net assets	**164,090**	174,921	204,594	86,620	22,049
Total equity	**164,090**	174,921	204,594	86,620	22,049

Note: The figures for the year ended 31 March 2016 has been extracted from the Company's Prospectus dated 31 May 2017.

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