Thelloy Development Group Limited
德萊建業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1546

Annual Report
2020

Contents

Corporate Information

Registered Office

PO Box 309
Ugland House
Grand Cayman
Cayman Islands, KY1-1104

Head Office and Principal Place of Business

2/F, Centre 600,
82 King Lam Street, Lai Chi Kok
Kowloon, Hong Kong

Executive Directors

Mr. Lam Kin Wing Eddie *(Chairman)*
Mr. Shut Yu Hang
Mr. Chung Koon Man

Independent Non-executive Directors

Mr. Tang Chi Wang
Mr. Wong Kwong On
Mr. Tse Ting Kwan

Company Secretary

Mr. Fung Nam Shan

Authorised Representatives

Mr. Lam Kin Wing Eddie
Mr. Shut Yu Hang

Audit Committee

Mr. Tse Ting Kwan *(Chairman)*
Mr. Tang Chi Wang
Mr. Wong Kwong On

Remuneration Committee

Mr. Wong Kwong On *(Chairman)*
Mr. Tse Ting Kwan
Mr. Lam Kin Wing Eddie
Mr. Chung Koon Man

Nomination Committee

Mr. Tang Chi Wang *(Chairman)*
Mr. Shut Yu Hang
Mr. Tse Ting Kwan
Mr. Chung Koon Man

Legal Advisers as to Hong Kong Law

P.C. Woo & Co.

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Banker

Dah Sing Bank, Limited
35/F, Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

Independent Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Company Website

www.thelloy.com

Stock Code

1546

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Thelloy Development Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am delighted to present the annual report of the Group for the year ended 31 March 2020 (the "**Year**") to you.

Review

During the Year, the Group continued to focus on its core contract works business, which includes building construction, repair, maintenance, alteration and addition ("**RMAA**") works services and design and build services. Leveraging on the Group's registered general building contractor license and certain crucial qualifications including but not limited to (i) Group C (confirmed) Approved Contractor for Public Works – Building Category; (ii) Approved Suppliers of Materials and Specialist Contractors for Public Works – Repair and Restoration of Historic Building Category (for "Western Style Buildings only"); (iii) Housing Authority List of Building Contractor – Building (New Works) Category; and (iv) Housing Authority List of Building Contractors – Maintenance Works Category.

Forward

The Group will keep focusing on its existing business and looking for appropriate projects that cope with the overall strategy of the Group. The Group will strengthen its market position in the industry and increase its market shares by 1) further developing the private sector market; 2) strengthening the Group's manpower in order to cater the growing demand for the businesses of the Group; and 3) targeting design and build projects with smaller contract sum in the near future, including those involving Modular Integrated Construction elements.

With the formation of a joint venture with Nova Deko Modular Building Co., Ltd. in April 2019, the Group will be able to expand the Group's supplier network in providing steel-related modular housing solutions and strengthen the Group's market position in the construction industry.

With the long-term housing strategy launched by the Government as per the 2018 Policy Address, the Group is positive about the future of the construction industry. The Group will keep focusing on its existing business while looking for appropriate projects that are in line with the overall strategy of the Group. The Group will strengthen its market position in the industry and increase its market shares by 1) further development in the private customers segment, in order to achieve a more balance portfolio for the Group's customer base; and 2) further development in the business of the design and build business segment by targeting at smaller contracts in the near future. The aggregate unbilled contract sum of over HK$235 million has secured the revenue of the Group in the coming Year.

A Note of Appreciation

On behalf of the Board, I wish to take this opportunity to express my gratitude to shareholders of the Company (the "**Shareholders**"), business partners and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staff for their diligence, commitment and contribution throughout the years.

Thelloy Development Group Limited
Lam Kin Wing Eddie
Chairman

Hong Kong, 24 June 2020

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

During the Year, the Group continued to focus on its core contract works business, which includes (i) building construction; (ii) repair, maintenance, alteration and addition ("**RMAA**") works services; and (iii) design and build services. The Group maintained its competitive advantage through its registered general building contractor licence and certain crucial qualifications, including but not limited to (i) Group C (confirmed) Approved Contractor for Public Works – Building Category; (ii) Approved Suppliers of Materials and Specialist Contractors for Public Works – Repair and Restoration of Historic Building Category (for "Western Style Buildings only"); (iii) Housing Authority List of Building Contractor – Building (New Works) Category; and (iv) Housing Authority List of Building Contractors – Maintenance Works Category. During the Year, the Group has expanded into the new market of Modular Integrated Construction ("**MiC**"), whereby free-standing integrated modules are manufactured in a prefabrication factory and then transported to the building site for installation in a building. In this respect, the Group has been awarded a new project for the design, supply and construction of 89 social housing units in Sham Shui Po, Hong Kong utilising the modular integrated construction method alongside with other newly secured projects for the Year.

Looking forward, the Group will keep focusing on its existing business while looking for appropriate projects that are in line with the overall strategy of the Group. The Group will strengthen its market position in the industry and increase its market shares by (i) further developing the private sector market; (ii) strengthening the Group's manpower in order to cater to the growing demand for the businesses of the Group; and (iii) targeting design and build projects with smaller contract sum in the near future, including those involving MiC elements.

With the Group's expertise in building construction, the Group is continuously looking out for opportunities to partner with property investors and developers on real estate development projects. Such business strategy not only acts as one of the means for the Group to further develop its private customer segment in the construction market, but also opens up a channel for the Group to diversify its business.

FINANCIAL REVIEW

Revenue

During the Year, revenue of the Group decreased from approximately HK$835.2 million to approximately HK$536.6 million as compared to the year ended 31 March 2019 (the "**Previous Year**"), which is mainly attributable to a decrease in revenue from the RMAA services and from building construction services. Although the revenue from the design and build services segment increased from approximately HK$5.0 million in the Previous Year to approximately HK$28.6 million in the Year, it was offset by a decrease in the revenue from RMAA services from approximately HK$429.4 million for the Previous Year to approximately HK$138.9 million for the Year, and a decrease in revenue from building construction services for the Year from approximately HK$400.8 million for the Previous Year to approximately HK$369.1 million for the Year.

Management Discussion and Analysis (Continued)

Direct Costs

The Group's direct costs decreased from approximately HK$746.8 million for the Previous Year to approximately HK$482.4 million for the Year, representing a decrease of approximately 35.4% as compared to the Previous Year. Such decrease was in line with the decrease of revenue during the Year.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately HK$54.2 million and HK$88.4 million for the years ended 31 March 2020 and 2019 respectively, representing a decrease of approximately 38.6%. The decrease was mainly attributable to the decrease in revenue and the number of projects undertaken by the Group during the Year as compared to the Previous Year.

The overall gross profit margin remained stable at approximately 10.6% for the Previous Year and approximately 10.1% for the Year.

Bank Interest Income

The Group's bank interest income amounted to approximately HK$1,270,000 and HK$1,977,000 for the Year and the Previous Year respectively, which was mainly due to the decrease in bank deposits during the Year.

Impairment loss

During the Year, the Company recognised an impairment loss on financial assets and contract assets under expected credit loss model of approximately HK$0.87 million (2019: 14.4 million).

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$26.2 million and HK$30.8 million for the Year and the Previous Year respectively, representing a decrease of approximately 15.0%. Such decrease was primarily due to the decrease in staff cost during the Year.

Other Expenses

The Company recognised legal and professional fee approximately HK$13.5 million for the Year (2019: nil), and a provision of HK$8 million is included in other payables as at 31 March 2020.

Finance Costs

For the Year and the Previous Year, the Group's finance costs amounted to approximately HK$704,000 and HK$242,000 respectively. The increase in finance costs was mainly due to the increase in bank borrowings during the Year which was repaid as at 31 March 2020.

Management Discussion and Analysis (Continued)

Income Tax Expense

For the Year and the Previous Year, the Group's income tax expense amounted to approximately HK$2.6 million and HK$7.4 million, representing a decrease of approximately 64.5%, as a result of the decrease in profit for the Year.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the Year decreased by approximately HK$24.8 million from approximately HK$37.5 million for the Previous Year to approximately HK$12.7 million for the Year. Such decrease was mainly due to the decrease in revenue and increase in provision of legal and professional cost during the Year.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK2.5 cents per share).

Together with the interim dividend of HK1.0 cent per share paid during the Year, the full year dividend amounts to HK1.0 cent (2019 full year: HK3.75 cents).

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 13 August 2020, the register of members of the Company will be closed from Monday, 10 August 2020 to Thursday, 13 August 2020, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration not later than 4:30 p.m. on Friday, 7 August 2020.

Liquidity and Financial Resources

The Group maintained a sound financial position. As at 31 March 2020, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$60.9 million (2019: approximately HK$280.2 million) and the current ratio was approximately 1.3 (2019: approximately 1.6). As at 31 March 2020, the Group has no borrowings (2019: bank borrowings of HK$5 million was unsecured, repayable within one year, bore floating interest rate and denominated in Hong Kong dollars).

Gearing Ratio

The gearing ratio of the Group as at 31 March 2020 was approximately 1.2% (2019: 3.6%) as the Group was not in need of any material debt financing during the Year. The gearing ratio is calculated as total borrowings and lease liabilities divided by total equity as at the year ended.

Management Discussion and Analysis (Continued)

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 March 2020, the Group had pledged bank deposits of approximately HK$6.0 million (2019: approximately HK$6.1 million) to secure the banking facilities granted to the Group. Save for the above, the Group did not have any charges on its assets.

Capital Structure

There has been no change in capital structure of the Company during the Year. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitment

As at 31 March 2020, the Group had no material capital commitment (2019: Nil).

Human Resources Management

As at 31 March 2020, the Group had a total of 117 employees (2019: 223). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance. The Group also sponsored staff to attend seminars and training courses.

Foreign Currency Risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. During the Year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year.

Management Discussion and Analysis (Continued)

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Year.

On 17 January 2020, the Group completed the acquisition of the entire issued share capital of Grandway Inc. Development Limited at a consideration of HK$90,392,000, details of which have been disclosed in the announcements of the Company dated 20 September 2019, 15 October 2019, 29 November 2019 and 17 January 2020 and the circular of the Company dated 17 December 2019.

Performance Guarantee

As at 31 March 2020, performance guarantees of approximately HK$10.9 million (2019: HK$7.4 million) were issued by certain banks to the Group's customers on behalf of the Group and approximately HK$1.6 million (31 March 2019: HK$1.9 million) of these guarantees were secured by pledged bank deposits of the Group. Save as disclosed, the Group had no other material contingent liabilities at the end of the reporting period (2019: Nil).

Contingent Liabilities

The Group had no material contingent liabilities at the end of the reporting period (2019: Nil).

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally approved by the Company pursuant to the written resolutions of the then sole shareholder of the Company on 22 September 2015. The Share Option Scheme remained valid and effective following the transfer of listing of its shares from GEM to the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 26 October 2017 and will be implemented in full compliance with the requirements under Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

Biographies of Directors, Senior Management and Company Secretary

Executive Directors

Mr. Lam Kin Wing Eddie ("**Mr. Lam**"), aged 61, is an Executive Director, the Chairman and chief executive of the Company. He is also a member of the remuneration committee of the Board (the "**Remuneration Committee**"). Mr. Lam is the Controlling Shareholder and a director of all subsidiaries of the Company and a director of Cheers Mate Holding Limited, a substantial shareholder of the Company. He is also the father of Mr. Arthur Lam Chi Ping, a member of the senior management of the Group. He joined the Group as a director in March 1995 and is responsible for overall business strategy and major business decisions of the Group. He was the president of the Hong Kong Institute of Construction Managers between 2014 to 2016. Currently, he is the chairman of the Building, Civil Engineering and Built Environment Training Board of Vocational Training Council, member of Construction Industry Training Board of Construction Industry Council, member of Pneumoconiosis Compensation Fund Board, member of MPF Industry Schemes Committee of Mandatory Provident Fund Schemes Authority and First Vice President of Hong Kong Construction Association.

Mr. Lam has over 43 years of experience in the building construction industry of Hong Kong and possesses extensive experience in planning, operating and managing construction projects of various sizes and nature. Prior to joining the Group, Mr. Lam worked in Hsin Chong Construction Co., Ltd, Gammon Building Construction Limited and Shiu On Building Contractors Ltd. from 1977 to 1993.

Mr. Lam qualified as a Chartered Builder and a Registered Professional Surveyor (Quantity Surveying) in Hong Kong in March 1985 and in January 2004 respectively. He was admitted as a member of the Hong Kong Institute of Construction Managers in May 1997 and became its fellow in December 2006, and admitted as a member of the Chartered Institute of Building in March 1985 and became its fellow in September 2010.

Mr. Shut Yu Hang, aged 55, is an executive Director of the Company and a director of Techoy Construction. He joined the Group as a construction manager of Techoy Construction in August 1998 and was promoted as a general manager in January 2008 and is responsible for general management and day-to-day operation of the Group.

Mr. Shut has over 32 years of experience in the building construction industry of Hong Kong. Mr. Shut was admitted as a graduate member of The Institution of Structural Engineers in November 1994, and a member of the Hong Kong Institute of Construction Managers in November 2014, and a member and recognized as Registered Construction Manager of the Hong Kong Institute of Construction Manager in November 2014 and 17 March 2017 respectively. Further, Mr. Shut was appointed as a committee member of the Contractors Registration Committee Panel and the Contractors Registration Committee by the Buildings Department from January 2011 to January 2017. Mr. Shut is also appointed as a member of the Appeal Tribunal Panel by Development Bureau from December 2018 to November 2021.

Mr. Chung Koon Man, aged 61, first joined the Group upon his appointment as an executive Director of the Company on 14 April 2016, and as the Manager Director of Techoy Construction. He is responsible for the overall management and strategic planning of the Group. He is a member of each of the Remuneration Committee and nomination committee of the Board (the "**Nomination Committee**") and a director of a number of subsidiaries of the Company. He graduated from the University of London in 1983 and is a member of The Hong Kong Institution of Engineer; fellow member of the Hong Kong Institute of Construction Managers and member of The Institution of Structural Engineers United Kingdom. Prior to joining the Company, Mr. Chung served for over three decades in various construction corporations in Hong Kong and overseas. Mr. Chung was the deputy managing director and the technical director of China Resources Construction Company Limited (currently known as CR Construction Company Limited) from January 2008 to January 2014 as well as the deputy managing director of China Resources Property Limited from May 2011 to February 2016. In addition, Mr. Chung has been appointed as the Director of Hong Kong Quality Assurance Agent from December 2015 to November 2021, the President of the Society of Builders, Hong Kong between 2016 and 2020, the Honorary President of Hong Kong Institute of Construction Manager since 2018 and the Chairman of Hong Kong Lo Pan Kwong Yuet Tong since 2018.

Biographies of Directors, Senior Management and Company Secretary (Continued)

Independent non-executive Directors

Mr. Tang Chi Wang, aged 42, was appointed as an independent non-executive Director of the Group on 22 September 2015. He is a chairman of the Nomination Committee and a member of the audit committee of the Board (the "**Audit Committee**").

Mr. Tang has over 23 years of experience in the building construction industry in Hong Kong. Since April 2012, he has been working as the executive director of Adwise Building Consultancy Limited and is responsible for overseeing the operation of the firm.

Mr. Tang is a fellow member of The Hong Kong Institute of Surveyors, Hong Kong Institute of Construction Managers, The Chartered Association of Building Engineers, The Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. He is also a member of the Royal Institution of Surveyors and the Chartered Institute of Building, and a general mediator of mediator panels of Hong Kong Mediation Accreditation Association Limited, an accredited mediator of panel of mediators of Hong Kong Mediation Centre, a mediator of The Hong Kong Institute of Architect and The Hong Kong Institute of Surveyors joint panel of mediators and a mediator of list of mediators of Hong Kong Institute of Construction Managers.

Mr. Tang obtained a diploma in Building Studies from the Morrison Hill Technical Institute (now renamed the Hong Kong Institute of Vocational Education (Morrison Hill)) in August 1996, a Higher Diploma in Surveying from the City University of Hong Kong in November 1999, a Bachelor of Science (Honours) degree in Building Surveying from the University of Northumbria at Newcastle in June 2000, a postgraduate diploma in Arbitration from The College of Estate Management in January 2005, a Bachelor of Laws (Honours) from the University of London in August 2008 and a Master of Public Administration from the Hong Kong Baptist University in November 2011.

Mr. Tse Ting Kwan, aged 45, was appointed as an independent non-executive Director on 22 September 2015. He is the chairman of the audit committee of the Board and a member of each of nomination committee and the remuneration committee of the Board.

Mr. Tse has over 22 years of experience in auditing, finance and accounting. He is currently the financial controller of Chinese People Holdings Company Limited, a company whose shares are listed on the Main Board (stock code: 681), and he is responsible for all accounting, finance and tax matters. In addition, since October 2012, Mr. Tse has been working as an independent non-executive director of Imperium Group Global Holdings Limited, a company whose shares are listed on the Main Board (stock code: 776). Mr. Tse holds a bachelor degree of Business Administration from the Lingnan College (now renamed as the Lingnan University) in November 1997. He is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Biographies of Directors, Senior Management and Company Secretary (Continued)

Mr. Wong Kwong On, aged 61, was appointed as an independent non-executive Director on 22 September 2015. He is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Wong has various experience in the building and civil construction industry of Hong Kong. From May 1990 to May 1995, Mr. Wong worked as a quantity surveyor for the following construction companies:

(i) Shui On Construction Company Limited (from May 1990 to March 1991);

(ii) Gitanes Engineering Company Limited (from March 1991 to November 1991); and

(iii) Shui On Civil Contractors Limited (from November 1991 to February 1992 and from January 1993 to May 1995).

His responsibilities as a quantity surveyor included contract administration and provision of contractual advice to projects which he was involved in.

From January 2001 to May 2011, he became the director of Consultant Associates (H.K.) Limited, a construction claim consultant company. Since May 2011, Mr. Wong started practising as a solicitor of Chan & Associates and since June 2013, he has been working as the principal of the law firm Wong & Lawyers and is responsible for overseeing the operation of the firm.

Mr. Wong was admitted a member of The Hong Kong Institute of Surveyors in March 1986, a member of the Chartered Institute of Building in August 1994, a fellow member of the Chartered Institute of Arbitrators in January 1995 and a solicitor of the High Court of Hong Kong in June 2000.

Mr. Wong obtained an Associateship in Building Technology and Management in November 1983 and a Diploma in Management Studies in November 1988 from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University), a Postgraduate Certificate in Hong Kong Law from the City Polytechnic of Hong Kong (now renamed the City University of Hong Kong) in November 1992, a Master of Arts in Arbitration and Dispute Resolution in November 1995 from City University of Hong Kong, a Bachelor of Laws from the University of Wolverhampton in October 1996 and a Postgraduate Certificate in Laws in June 1998 from the University of Hong Kong.

Senior Management

Mr. Arthur Lam Chi Ping ("Mr. Arthur Lam"), aged 29, is currently a director of Techoy Construction, a director of a number of other subsidiaries of the Company and a member of the senior management of the Group. He is responsible for new ventures development and corporate affairs of the Group.

Mr. Arthur Lam holds a degree of Bachelor of Science from the University of Warwick and a Master's degree from the London School of Economics and Political Science. He also qualified as a chartered member of the Royal Institution of Chartered Surveyors in July 2017. He first joined the Group as a new ventures manager of Techoy Construction in January 2018 and he has served for global real estate consultancy firms Savills and CBRE prior to joining the Group. He is the son of Mr. Lam.

Ms. Choi Yuen Fong, aged 50, is currently an administration and personnel manager of Techoy Construction, and a member of the senior management of the Group. She joined the Group in March 1997 and is mainly responsible for administrative and human resources matters of the Group.

Biographies of Directors, Senior Management and Company Secretary (Continued)

Ms. Chan Lap Yee, aged 58, is currently an estimating manager of Techoy Construction, and a member of the senior management of the Group. She joined the Group in May 1997 as an estimator of Techoy Construction and was later promoted as a senior estimator in January 2013. Ms. Chan was admitted as a member of the Association of Cost Engineers in August 1993. She is mainly responsible for project tendering matters of the Group.

Ms. Chan Kwai Fong, aged 48, is currently an accounting manager of Techoy Construction, and a member of the senior management of the Group. She joined the Group in March 1998 and is primarily responsible for financial management of the Group.

Mr. Lo Ming Fai, aged 49, is currently a senior project manager of Techoy Construction, and a member of the senior management of the Group. He joined the Group on 3 January 2012. Mr. Lo has over 22 years of experience in the building construction industry of Hong Kong. Mr. Lo was admitted as a member of the Hong Kong Institute of Construction Managers in February 2014. He is mainly responsible for the management and administration of different projects in the Group.

Company Secretary

Mr. Fung Nam Shan, aged 43, was appointed as the company secretary of the Company (the "**Company Secretary**") on 13 November 2015. Mr. Fung holds a bachelor's degree in commerce awarded by the University of Newcastle, Australia. Mr. Fung has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. Fung is an independent non-executive director of Energy International Investments Holdings Limited (currently listed on the Main Board (stock code: 0353)) and JH Educational Technology INC. (currently listed on the Main Board (stock code: 1935)). He is the company secretary and authorised representative of each of Seamless Green China (Holdings) Limited, a company listed on GEM of the Stock Exchange (stock code: 8150), and Camsing International Holding Limited (currently listed on the Main Board (stock code: 2662)) and Yat Sing Holdings Limited (proposed to be changed to "China Supply Chain Holdings Limited" as disclosed in its circular dated 27 December 2019) (currently listed on the Main Board (stock code: 3708)). He was the joint company secretary of Future Bright Mining Holdings Limited (currently listed on the Main Board (stock code: 2212)) during the period from 4 November 2015 to 14 October 2016 and the company secretary and authorised representative of China Ocean Group Development Limited (formerly known as "China Ocean Fishing Holdings Limited") (currently listed on GEM (stock code: 8047)) during the period from 20 May 2015 to 16 May 2017.

Mr. Fung was employed as financial controller and company secretary of South China Assets Holdings Limited (formerly known as "South China Land Limited") (currently listed on GEM (stock code: 8155)) from February 2011 to April 2013. Mr. Fung served for a reputable property development group as financial controller from 2009 to 2011. He has worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels Association and also a member of its charity walk organising committee since 2012.

Mr. Fung is the partner of CityLinkers Corporate Solutions Limited ("CityLinkers"), a professional services provider offering services in areas of finance, compliance, legal and advisory.

Corporate Governance Report

Corporate Governance

The Company's corporate governance code are based on the principles of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company is committed to ensuring a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam Kin Wing Eddie ("Mr. Lam") serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the code provision A.2.1.

The Board is of the view that vesting both roles in Mr. Lam will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors (the "INEDs") on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Company complied with all code provisions in the CG Code in the Year, save for code provision A.2.1.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

Composition of the Board

At the date of this report, the Board comprises 3 executive Directors and 3 INEDs, the name and office of each of the members of the Board and the Board committees of the Company are as follows:

Board member	**Office**
Mr. Lam *(Chairman)*	Executive Director
Mr. Shut Yu Hang	Executive Director
Mr. Chung Koon Man	Executive Director
Mr. Tang Chi Wang	INED
Mr. Wong Kwong On	INED
Mr. Tse Ting Kwan	INED

Audit Committee member	
Mr. Tse Ting Kwan	*(Chairman)*
Mr. Tang Chi Wang	
Mr. Wong Kwong On	

Corporate Governance Report (Continued)

Remuneration Committee member	Office
Mr. Wong Kwong On	*(Chairman)*
Mr. Tse Ting Kwan	
Mr. Lam	
Mr. Chung Koon Man	

Nomination Committee member	
Mr. Tang Chi Wang	*(Chairman)*
Mr. Shut Yu Hang	
Mr. Tse Ting Kwan	
Mr. Chung Koon Man	

All Directors were appointed for an initial term of 3 years and are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "Articles").

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the business needs of the Group. A balanced composition of executive Directors and INEDs is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having at least one of the INEDs with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Directors is recommended by the Remuneration Committee and the Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

The daily operation and management of the business of the Group, among other matters, the implementation of strategies, are delegated to the executive Directors. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

With the assistance of the executive Directors and the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Corporate Governance Report (Continued)

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

Draft minutes are normally circulated to Directors or members of the relevant Board committees for comment within a reasonable time after each meeting.

According to the current Board practice, any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the INEDs. Directors will abstain from voting and will not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has received from each of the INEDs an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) attending regular board meetings focusing on business strategy, operational issues and financial performance of the Company; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws.

Director's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Year, the Directors have, among other things:

- Selected suitable accounting policies and applied them consistently;
- Approved adoption of all Hong Kong Financial Reporting Standards which are in conformity with the International Financial Reporting Standards;
- Attended the disclosure requirements under the Companies Ordinance (Chapter 622 of the laws of Hong Kong); and
- Made judgments and estimates that are prudent and reasonable; and prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Corporate Governance Report (Continued)

Delegation by the Board

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees are chaired by an INED. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

During the Year, the Board held four meetings and an annual general meeting of the Company (the "AGM") in total, and the individual attendance record of each Director at the meetings of the Board and the AGM is set out below:

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meeting
Executive Directors:		
Mr. Lam *(Chairman)*	4/4	1/1
Mr. Shut Yu Hang	4/4	1/1
Mr. Chung Koon Man	4/4	1/1
INEDs:		
Mr. Tang Chi Wang	4/4	1/1
Mr. Wong Kwong On	4/4	1/1
Mr. Tse Ting Kwan	4/4	1/1

Note: The attendance figure represents the actual attendance/the number of meetings a Director was required to attend.

Apart from regular Board meetings, the chairman also held a meeting with the INEDs without the presence of the executive Directors during the Year.

Audit Committee

The Audit Committee was established on 22 September 2015 with terms of reference as revised by the Board with effect from 24 January 2019. The Audit Committee consists of three INEDs, namely Mr. Tse Ting Kwan, serving as the chairman, Mr. Tang Chi Wang and Mr. Wong Kwong On.

The primary responsibilities of the Audit Committee are to (i) review the financial reporting process of the Group and its internal control and risk management systems and the effectiveness of the Company's internal audit function; (ii) oversee the audit process, (iii) review the Company's compliance with the CG Code, (iv) review and supervise the Company's financial reporting process and internal control systems and (v) perform other duties assigned by the Board. All committee members possess appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.

Corporate Governance Report (Continued)

During the Year, the Audit Committee reviewed the financial results of the Group, audit plans and findings of the external auditor, the independence of the external auditor, accounting principles and practices of the Group, the Listing Rules and statutory compliance, internal controls, risk management, effectiveness of the Company's internal audit function, financial reporting matters and adequacy of resources, qualifications and experience of accounting and financial reporting staff and made recommendations to the Board to improve the quality of financial information to be disclosed and internal control. The Audit Committee has also reviewed and approved the engagement of external auditor to perform statutory audit and approved their fees. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditor.

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the Year, the Audit Committee held two meetings and performed duties including reviewing the Group's annual and half-yearly reports. The individual attendance record of each member at the meetings of the Audit Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meetings
Mr. Tse Ting Kwan *(Chairman)*	2/2
Mr. Tang Chi Wang	2/2
Mr. Wong Kwong On	2/2

Note: The attendance figure represents the actual attendance/the number of meetings a member was required to attend.

Nomination Committee

The Nomination Committee was established on 22 September 2015 with terms of reference as revised by the Board with effect from 26 October 2017. The Nomination Committee consists of two INEDs, namely Mr. Tang Chi Wang, serving as the chairman and Mr. Tse Ting Kwan and two executive Directors namely Mr. Chung Koon Man and Mr. Shut Yu Hang.

The Nomination Committee is responsible for (i) reviewing the Board's structure, size, composition and diversity against factors including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of service, having regard to the Group's business activities, assets and management portfolio, (ii) selecting Board members and ensuring transparency of the selection process, (iii) reviewing and monitoring the training and continuous professional development of the Directors and senior management and (iv) assessing the independence of the INEDs, having regard to the requirements under the Listing Rules. The Nomination Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into consideration criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals as nomination for directorships.

Corporate Governance Report (Continued)

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:–

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the business and other relevant sectors relating to the Company and/or its subsidiaries;

(c) commitment in respect of sufficient time and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and

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

During the Year, no new director was appointed.

The Nomination Committee and the Board review the terms of reference of the Nomination Committee at least annually. The terms of reference of the Nomination Committee are in line with the requirements of the Listing Rules.

During the Year, one Nomination Committee meeting was held. The individual attendance record of each member at the meeting of the Nomination Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meeting
Mr. Tang Chi Wang *(Chairman)*	1/1
Mr. Shut Yu Hang	1/1
Mr. Tse Ting Kwan	1/1
Mr. Chung Koon Man	1/1

During the Year, the Nomination Committee members (i) reviewed and considered that the structure, size, diversity and composition of the Board are appropriate; (ii) assessed the independence of INEDs; and (iii) recommended the re-appointments of Directors.

The Nomination Committee will review the Board composition by considering the benefits of all aspects of diversity, including but not limited to those described under the heading of Board Diversity Policy in this report. The Board Diversity Policy shall be reviewed by the Nomination Committee, as appropriate, to ensure its effectiveness.

Corporate Governance Report (Continued)

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Selection of candidates will be based on a range of factors as stated above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises six Directors. Three of the Directors are INEDs and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity in terms of professional background and skills.

Remuneration Committee

The Remuneration Committee was established on 22 September 2015 with terms of reference as revised by the Board with effect from 26 October 2017. The Remuneration Committee consists of two INEDs, namely Mr. Wong Kwong On, serving as the chairman and Mr. Tse Ting Kwan, and two executive Directors namely Mr. Lam and Mr. Chung Koon Man.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing a policy on such remuneration, assess performance of executive Directors and approve the terms of executive Directors' service contracts.

The Remuneration Committee and the Board review the terms of reference of the Remuneration Committee from time to time. The terms of reference of the Remuneration Committee are in line with the requirements of the Listing Rules.

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation to the Board for its final determination of the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, consisting of any compensation payable for loss or termination of their office or appointment; and make recommendations to the Board about the Directors' fee of INEDs. In determining the emoluments payable to the Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, responsibilities and performance of the Directors.

The Remuneration Committee members held two meetings during the Year. During the Year, the Remuneration Committee has discussed and reviewed the remuneration packages and recommended the proposed bonus for the Directors and the senior management to the Board for approval and assessed the performance of executive Directors. During the year, no Directors' service contracts required the approval of the Remuneration Committee. The remuneration policy of the Company enables the Company to retain and motivate employees (including executive Directors) to meet corporate objectives. A Director is not allowed to approve his/her own remuneration. The remuneration package of an executive Director includes basic salary, allowance, discretionary bonus and share-based benefits, which are all covered by a service contract. The Director's fee of INEDs is subject to annual assessment. Remuneration surveys on companies operating in similar business, inflation rates, industry trends and performance of the Company are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

Corporate Governance Report (Continued)

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

Name of Members	Attendance/ Number of Meetings
Mr. Wong Kwong On *(Chairman)*	2/2
Mr. Tse Ting Kwan	2/2
Mr. Lam	2/2
Mr. Chung Koon Man	2/2

Details of the directors' remuneration and the five highest paid individuals for the Year as regarded to be disclosed pursuant to the Code are provided in note 6 to the consolidated financial statements.

Remuneration of the Senior Management

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

	Number of individuals
HK$Nil to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	2

Corporate Governance functions

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the Audit Committee. During the Year, the Audit Committee has (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations to the Board, (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the code of conduct applicable to employees and Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as code of conduct governing Directors' securities transaction. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had compiled with the required standard set out in the Model Code throughout the Year.

Corporate Governance Report (Continued)

Continuous Professional Development for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Directors are continually updated with business and market changes, and legal and regulatory developments to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memoranda, Board papers, and updates on corporate governance practices and director's responsibilities under the Listing Rules, applicable laws and other relevant statutory requirements.

Up to date of this report, the current Board members participated in the following training programs:

	Types of training	
Name of Directors	**Attending training**	**Reading materials updating on new rules and regulations**
Executive Directors		
Mr. Lam *(Chairman)*	✓	✓
Mr. Shut Yu Hang	✓	✓
Mr. Chung Koon Man	✓	✓
INEDs		
Mr. Tang Chi Wang	✓	✓
Mr. Wong Kwong On	✓	✓
Mr. Tse Ting Kwan	✓	✓

Directors and Officers Insurance

Appropriate insurance policies that cover directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this report, the Directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

Company Secretary

The present company secretary of the Company (the "Company Secretary") is an external service provider, and his primary corporate contact person is Mr. Lam, an executive Director and the Chairman of the Board, for the purpose of code provision F.1.1 of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung Nam Shan, the Company Secretary, has attended 15-hour training as per the requirement under Rule 3.29 of the Listing Rules.

Corporate Governance Report (Continued)

Risk management and internal control

The Company has an internal audit function.

The Directors are responsible for maintaining and reviewing the effectiveness of the internal controls of the Company, including material financial, operational and compliance controls, risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting function. The Directors assess the effectiveness of the risk management and internal control systems on an ongoing basis. Appropriate policies and control procedures have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company performance are appropriately identified and managed. In the case of the Company, such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material misstatement or losses.

The Board has conducted an annual review during the Year on the effectiveness of the risk management and internal control system covering all material controls in the financial, operational and compliance controls, various functions for risks management as well as physical and information systems security. The Board considered such risk management and internal control system effective and adequate.

Independent Auditor's remuneration & responsibilities

The Company has appointed Deloitte Touche Tohmatsu ("DTT") as the Independent Auditor of the Group. For the Year, DTT received HK$1,200,000 for audit services and HK$426,000 for non-audit services provided respectively. The non-audit services provided for the Year included (i) filling of tax services; and (ii) professional services rendered in connection with a circular issued in connection with the proposed acquisition of 100% equity interest in Grandway Inc. Development Limited.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Year.

Communications with shareholders and investors

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group.

Our website at www.thelloy.com allows the Company's potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in this report, the "Corporate Information" section of this annual report and the Company's website.

Corporate Governance Report (Continued)

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

Procedures for shareholders to convene an extraordinary general meeting

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to article 12.3 of the Articles, any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so.

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

Company Secretary
Thelloy Development Group Limited
Address: 2/F, Centre 600
82 King Lam Street, Lai Chi Kok
Kowloon, Hong Kong
Fax no.: (852) 2529 9898

To put forward proposals at an annual general meeting or an extraordinary general meeting, the shareholders shall submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's registered office.

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

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to article 12.4 of the Articles:

(a) for an annual general meeting it shall be called by at least 21 clear days' notice in writing; and

(b) for all other special general meetings, they may be called by not less than 14 clear days' notice in writing.

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 Company's address above-mentioned and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional documents

There are no significant changes in the Company's constitutional documents during the Year.

Environmental, Social and Governance Report

In accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide of the Rules Governing the Main Board Listing of Securities on The Stock Exchange of Hong Kong Limited, Thelloy Development Group Limited (the "Company", "We", "Our" and "Us") presents this Environmental, Social and Governance ("ESG") Report for the year ended 31 March 2020 (the "Reporting Period").

This report serves to provide details of the Company's ESG policies and initiatives of its building construction business in Hong Kong, which is the sole operating segment of the Company.

The Board of Directors has the overall responsibility for the Company's ESG strategy and reporting in achieving green operations for sustainable development. The Management is responsible for identifying, evaluating, monitoring and managing ESG-related risks and the effectiveness of the ESG management systems.

We have engaged our management and staff across our business functions to review their operations, identify relevant ESG issues and assess their materiality on our business as well as to our stakeholders, through reviewing our operations and holding internal discussions. The table below highlights the ESG issues which were determined to be material to the Company:

ESG aspects as set out in ESG Guide	**Material ESG issues for the Company**	
A. Environmental	*A1 Emissions*	• Air and Greenhouse Emissions • Effluent • Waste Management • Hazardous Waste Management
	A2 Use of Resources	• Energy Consumption • Water Consumption
	A3 The Environment and Natural Resources	• Noise Reduction, Ozone Depletion and Tree Preservation
B. Social (including Employment and Labour Practices, Operating Practices and Community)	*B1 Employment*	• Personnel and Management Development • Compensation and Benefits • Other Employment Practices
	B2 Health and Safety	• Occupational Health and Safety
	B3 Development and Training	• Training and Development for Employees
	B4 Labour Standards	• Anti-child and Forced Labour
	B5 Supply Chain Management	• Supply Chain Practices
	B6 Product Responsibility	• Quality Management • Personal Data Privacy
	B7 Anti-corruption	• Prevention of Bid-rigging and Offering Bribes
	B8 Community Investment	• Corporate Social Responsibility

Environmental, Social and Governance Report (Continued)

A) Environment

Aspect A1: Emissions

As a building construction services provider, the major types of emissions or pollutions generated from the Company's operations at construction sites include air emissions, effluent and waste disposal.

The Company is committed to minimising the pollutions on the environment which may be resulted from our business activities. In light of that, we have established an environmental management system ("EMS") which has been certified by SGS, a leading certification company, to be in compliance with the requirements of ISO 14001:2015 since 2009. This can help improve the Company's environmental performance and achieve regulatory compliance.

To facilitate the management of environmental performance, the Company has appointed an Environmental Officer who is responsible for executing the environmental management policy of the Company, formulating environmental management measures, performing regular inspections to identify potential hazards, developing training to staff and construction workers and reporting environmental performance to customers on monthly basis.

KPI: A1.1 A1.2 A1.5

Air and Greenhouse Gas Emissions

During the Reporting Period, the major air and greenhouse gas emissions resulting from our construction activities were insignificant. Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Dust, being the most significant air pollutant, has been controlled by various measures which are listed below:

Reduction at sources:

- To minimise dust emissions, the amounts of soil exposed and the dust generation potential have been kept as low as possible
- Water has been regularly sprayed on the work surface where mechanical breaking operation is in progress
- Any stockpiles of dusty materials have been sprayed with water regularly so as to maintain the entire surface wet
- The heights from which dusty materials are dropped have been minimised to limit fugitive dust generation from loading or unloading
- All constructional plants powered by diesel fuel have used ultralow sulphur diesel
- All non-road mobile machineries have been equipped with Non-Road Mobile Machinery (NRMM) Label to ensure the emissions are within limits
- Vehicle speeds on site have been limited to within 5 km/h to minimise dust re-suspension and dispersion
- Wheel washing facilities have been provided at all vehicle exits to prevent dusty material from being carried off-site by vehicles and deposited on public roads

Environmental, Social and Governance Report (Continued)

Reduction with barriers:

- Any stockpiles of dusty materials have not been extended beyond the pedestrian barriers, fencing or traffic cones
- Any stockpiles of dusty materials have been either covered entirely by impervious sheeting or placed in an area sheltered on the top and the three sides
- Vehicles transporting materials with the potential to generate dust have been properly fitted with side and tile boards
- Materials transported by vehicles have been covered with the covers properly secured and extended over the edges of the side and tail boards

Regular monitoring:

- Regular impact measurements have been taken for the concentration of the Total Suspended Particulates (TSP) at the nearest Air Sensitive Receivers (ASR)

During the Reporting Period, our sites measurements on TSP are in compliance with the standards of BEAM Plus Rating System being set for projects and no complaints were received from public.

Furthermore, greenhouse gas emission of 9,119 tonnes of CO2e was generated during the Reporting Period through the wastes generated and consumption of fuels and energy. Regarding the conservation of energy, please refer to Aspect A2 for details.

Effluent

Effluent is generated during the construction process. In the Reporting Period, the Company has generated an insignificant amount of water effluent. It is because we have made use of the treated waste water for recycling in sites instead of discharge.

Prior to discharge of construction site runoff and waste water, waste water treatment facilities such as waste water treatment system, sedimentation tanks, neutralisation tanks, grease traps, septic tanks and sand traps have been provided for treatment of effluent so as to comply with the relevant discharge standard as stipulated in the Environmental Protection Department (EPD) wastewater discharge license. Maintenance and clean-up of all wastewater treatment facilities have been arranged to ensure their proper and efficient operations.

Furthermore, samples of waste water discharged at designated discharge points have been collected for testing by the HOKLAS (Hong Kong Laboratory Accreditation Scheme) accredited laboratory to ensure the contaminants level does not exceed the limit as per the EPD wastewater discharge license.

With the abovementioned controls, the Company had received no complaints or convictions over dust and effluent issues and there were no cases of non-compliance during the Reporting Period.

Environmental, Social and Governance Report (Continued)

KPI:
A1.3
A1.4
A1.6

Waste Management

The Company is committed to reducing its impacts on the environment by managing its wastes in an efficient and sustainable manner.

Each member of the Company as well as sub-contractors should take reasonable steps to avoid the generation of wastes by proper planning of works. The following hierarchy of options should be considered on waste management:

- Elimination: Complete elimination of wastes
- Reduction at source: The avoidance, reduction or elimination of waste, generally within the confines of the production unit, through changes in processes or procedures
- Reuse/Recycling: The use, reuse and recycling of wastes for original or some other purposes such as input material or materials recovery
- Treatment: The destruction, detoxification and neutralisation of wastes into less harmful substances
- Disposal: The release of wastes to air, water, or land in properly controlled or safe ways so as to render them harmless; land disposal may involve volume reduction, encapsulation, leach containment and monitoring techniques

The Company seeks continuous improvement in waste management performance by setting appropriate objectives and goals throughout the Company. Adequate resources and facilities have been provided to reduce wastes arising from its operations and to implement good waste management practices.

During the Reporting Period, we have achieved the waste avoidance and recycling targets in our projects which are in compliance with BEAM Plus Rating System and being awarded the Wastewi$e Certificate under Hong Kong Green Organisation Certification.

To reflect the current needs of waste management issues, our waste management policy is reviewed annually or when necessary by top management. All staff, subcontractors as well as the construction workers are being addressed on the importance of this policy.

The wastes generated by the Company during the Reporting Period are summarised in the table below:

Type of Waste (Non-hazardous Waste)	Amount	Unit
Inert waste	14,615	Tonnes
Non-inert waste	5,272	Tonnes
Sorting facilities	1,011	Tonnes
Type of Waste (Hazardous waste)		
Asbestos	0	Kg

Environmental, Social and Governance Report (Continued)

The intensity of waste generated per operation unit is analysed:

Operating Unit	Inert waste (Kg)	Non-inert waste (Kg)	Sorting Facilities (Kg)
Head Office	–	–	–
Project A	–	–	–
Project B	65,400	142,000	408,000
Project C	–	195,800	–
Project D	397,700	345,800	–
Project E	6,112,600	1,688,500	–
Project F	614,400	219,250	568,500
Project G	897,900	1,427,600	–
Project H	5,274,400	1,185,000	–
Project I	15,900	27,900	21,400
Project J	1,237,100	33,900	13,500
Project K	–	6,300	–

The key to effective waste management is to reduce the amount of waste generated from the work sites. We have adopted the following waste management measures in minimising the impact of wastes on the environment:

Planning:

- Environmental goals and objectives have been established and periodically reviewed
- When devising the construction plans, priority has been given to minimising environmental impacts and setting environmentally friendly construction processes

Execution:

- Reduction in disposal and emission of construction wastes, dusts, noise and water pollution at sites in daily construction practices have been encouraged

Monitoring:

- Project managers monitor all site operations which have significant environmental impacts and ensure compliance with environmental legislations, regulations and requirements to which the Company subscribes

- The Company monitors feedbacks and suggestions from our customers, workers, sub-contractors, suppliers and public for improvements in our environmental management system

To support green operation, the Company has participated in the "Wastewi$e Certificate" under the Hong Kong Green Organisation Certification and "Office Paper Recycle Campaign" under the Eco Association to promote environmentally friendly operations and encourage staff participation.

Hazardous Waste Management

Chemical wastes expected from sites include engine oils, hydraulic fluids, waste fuel, used solvent, used cleaning fluids, used lubricating oil, contaminated sawdust/sandbags, paints and used oil filters. We have been registered as Chemical Waste Producer for every project and all chemical wastes generated by the construction works have been properly labelled, packaged, and temporarily stored at a designated chemical waste storage area within the site. All chemical waste disposals have been collected by licensed waste collectors and passed to licensed chemical waste disposal facilities.

Any asbestos wastes will be handled, stored and disposed of as chemical waste in accordance with the Waste Disposal Ordinance and Waste Disposal (Chemical Waste) (General) Regulation. Specialists have been engaged to take samples and such samples will be tested for asbestos containing materials. In case asbestos containing materials are discovered, specialist contractor will be engaged to remove such asbestos containing materials. The asbestos materials have been disposed of to chemical waste treatment centre or other licensed facilities.

On-site sorting will be implemented for non-hazardous wastes. Sorted materials that can be reused/recycled will be stored at a temporary storage area for delivery to the designated recycling facilities. Unsuitable materials will be disposed of to the required public fill or landfill.

The following hierarchy is followed for the reduction initiatives

- Elimination: Complete elimination of wastes
- Reduction at source: The avoidance, reduction or elimination of waste, generally within the confines of the production unit, through changes in processes or procedures
- Reuse/Recycling: The use, reuse and recycling of wastes for original or some other purposes such as input material or materials recovery

Our projects have achieved 30%-60% reduction/recycling rate of the total wastes generated.

The Company, as a main contractor, is required to obtain the requisite permits and approvals in relation to air pollution, waste disposal, noise pollution and others pursuant to environmental protection requirements in accordance with the applicable laws and regulations prior to commencement of a project.

During the Reporting Period, there were no hazardous waste produced and no cases of non-compliance.

Aspect A2: Use of Resources

The Company strives to reduce its resources consumption, mainly energy and water, thereby reducing costs and promoting the long-term environmental and economic sustainability of its operations. We are committed to the following principles:

- Reduce energy consumption in operations throughout the establishment of objectives and targets;
- Ensure continual improvement in our energy performance;
- Deploy information and resources to achieve objectives and targets;
- Uphold legal and other requirements regarding energy and water uses, efficiency and consumption;

Environmental, Social and Governance Report (Continued)

- Consider resources performance improvements in design and modification of our facilities, equipment, systems and processes;
- Effectively procure and utilise energy-efficient products and services; and
- Return Packaging materials including foam boards and cardboards etc. to material suppliers for reuse.

KPI:
A2.1
A2.3

Energy Consumption

In order to achieve energy efficiency and enable systematic control over energy performance, the Company's EMS has taken into account the requirements of ISO50001:2011, demonstrating its commitment to continuous improvement in energy management and regulatory compliance.

The execution and implementation of EMS are integrated with the Quality Assurance Management System, Environmental Protection System and Occupational Health and Safety Assessment that are based on the ISO9001:2015, ISO14001:2015 and OHSAS18001:2007 standards respectively. Each employee and subcontractor are responsible members of our team and are expected to conduct their activities in accordance with the EMS requirements.

During the Reporting Period, the Company consumed certain amount of energies as stated below:

Type of energy	Unit	Amount[1]
Electricity	kWh	600,163
Diesel	Liter	17,294
Petrol	Liter	19,461

The intensity of energies consumption per operation unit is analysed:

Operating Unit	Electricity (kWH)	Diesel (Liter)	Petrol (Liter)
Head Office	46,228	–	9,315
Project A	4,299	–	–
Project B	–	–	–
Project C	72,143	–	2,582
Project D	–	526	993
Project E	239,257	–	1,560
Project F	–	–	1,178
Project G	85,237	–	1,827
Project H	152,999	–	2,006
Project I	–	8,319	–
Project J	–	8,449	–
Project K	–	–	–

[1] The amounts represent the energy directly consumed and controlled by the Company in our development projects and offices during the Reporting Period

Environmental, Social and Governance Report (Continued)

In an effort to reduce energy consumption, the Company has adopted various measures at both construction sites and office for such purpose.

At construction sites, Grade 1 Energy Labelled air-conditioners and Energy Star Labelled computer sets which consume less electricity have been deployed. LED spotlights, T5 fluorescent tubes and solar light powered flashlights have been installed to improve electricity efficiency. Timers have been used at site offices for controlling electricity use and preventing idle consumption. Meanwhile, many of the Company's construction projects are involved in either the BEAM Plus or LEED green building certification programme. These projects possess environmentally friendly designs including energy efficient features.

As for office, measures similar to that of construction sites, such as the use of LED/T5 fluorescent tube lighting system, Grade 1 Energy Labelled electrical appliances and Energy Star Labelled computer sets, have been adopted. Furthermore, multiple office practices have been developed to reduce electricity consumption. Independent switches to control different areas of lighting and air-conditioning have been set up to allow partial operations in the office. Staff are encouraged to switch off lights and air-conditioners during lunch hour or partially during non-peak hours, and switch photocopiers into sleeping mode when they are idle.

With the above-mentioned measures, the expected overall electricity consumption could be lowered by 5% annually.

KPI:
A2.2
A2.4

Water Consumption

During the Reporting Period, the Company consumed a total of 13,965 metric tonnes of water.

The intensity of water consumption per operation unit is analysed:

Operating Unit	Water (metric tonnes)
Head Office	22
Project A	–
Project B	–
Project C	69
Project D	2,094
Project E	6,205
Project F	–
Project G	1,029
Project H	4,546
Project I	–
Project J	–
Project K	–

The Company has no issue in sourcing water that is fit for purpose.

Regarding water conservation, the Company has the same set of conversation principles as energy conservation mentioned above. Certain water conservation initiatives have been adopted at both construction sites and office to improve water efficiency.

Environmental, Social and Governance Report (Continued)

The concept of water recycling has been adopted in construction sites. For examples, waste water has been treated by chemical waste water treatment equipment first and reused for general washing purpose. Also, dampening debris are delivered via refuse chute to depress dust. Furthermore, we have put much efforts in educating workers with water conservative work practices.

In addition, water efficiency devices such as dual flush water closets, induction urinals in toilets, Grade 1 Water Efficiency Labelled fittings, auto-sensor water taps and water leakage sensors have been installed at both construction sites and office as appropriate. We have recorded water consumption on monthly basis for analysis so as to identify potential improvement in water efficiency.

Attributable to these initiatives, the Company's overall water consumption is expected to be lowered by 5% annually.

A2.5 During the Reporting Period, the Company has no packaging material used for finished products.

Aspect A3: The Environment and Natural Resources

As a leading construction service provider in Hong Kong, we demonstrate our commitment to social responsibility through taking the environmental protection measures as one of our highest priorities of concern in parallel with safety and quality. We are open and responsive to the environmental expectations and concerns of our stakeholders, including employees, subcontractors, suppliers, regulatory agencies, and the public, by providing clear and candid information about the environmental impacts of our activities in this report.

The Company is committed to comply with all environmental related laws and regulations which the Company subscribes. During the Reporting Period, there were no cases of non-compliance in relation to environmental laws and regulations of any kind.

Environmental impacts have been taken into consideration in the design and planning of the construction projects, supported with clearly defined environmental objectives and targets. The establishment and implementation of the EMS in accordance with the various ISO standards attested the Company's commitment to continuously improving its environmental performance. Each employee and subcontractor is a responsible member of our team and is expected to conduct their activities in accordance with the EMS requirements. The EMS helps encourage and influence our subcontractors, suppliers and our clients to be environmentally responsible.

KPI A3.1 **Noise Reduction, Ozone Depletion and Tree Preservation**

We have taken various initiatives in minimising any adverse impacts arising from our construction activities to the environment and the public, which are summarised in the table below:

Noise Reduction:

- Noise mitigation measures have been implemented on sites in according with those stated in the Environmental Management Plan & ISO14001:2015
- Regular noise impact monitoring has been conducted on sites
- Quiet Powered Mechanical Equipment has been used on sites

Ozone Depletion:

- CFC (chlorofluorocarbon) free refrigerants have been used for all MVAC systems

Tree Preservation:

- No trees have been felled without the approval of relevant authorities

Environmental, Social and Governance Report (Continued)

- Registered tree specialists have been engaged in each project for protection and maintenance of existing trees
- Only registered tree arborists have been engaged to provide services on tree transplanting and felling

B) Social

Aspect B1: Employment

We believe that human resources ("HR") are the most valuable asset of the Company. Not only do we make an effort to develop the abilities and productivity of our staff, but we also encourage a harmonious work culture by fostering relationship with staff at every level in the organisation. The Company encourages staff to express and share their views and ideas to bring about improvement in the organisation towards the achievement of the common goal. With our due respect, as well as being empathetic and sensitive to their needs, our staff take pride in their work and are willing to devote for the mutual development of the Company and themselves.

Personnel and Management Development

It is the policy of the Company to recruit the best qualified people and to maintain a pool of human resources according to the manpower requirement and planning of the Company.

It is also the policy of the Company to transfer or promote well performing and capable employees to fill vacancies of appropriate positions so that employees are provided with opportunities to widen their exposures and further their career development within the Company.

All applicants have equal opportunities of employment irrespective of their age, sex, marital status, pregnancy, family status, disability, race, nationality or religion.

Job applicants are treated fairly and equally. Employment is offered to the best qualified applicants with reference to their merits and abilities to meet the requirements of the jobs irrespective of whether they are referrals or direct applicants.

Compensation and Benefits

The Company's compensation and benefits policy is based on the view that fair remuneration packages contribute to the motivation of our staff and to the appeal of the Company. Factors that are considered for the remuneration packages include performance, local practice, market standard and individual needs. We support diversity but where appropriate, we stimulate common remuneration practices in the organisation.

The Company aligns individual and team performance with target setting. We encourage individual and team performance by practising open and motivating appraisal procedures with periodic reviews.

We use objective procedures for job ranking (internal equity) and check systematically market conformity in relevant labour markets (external equity).

Other Employment Practices

The Company guarantees that all employment practices, including dismissal, working hours and rest periods, are conducted in compliance with the local labour law.

Environmental, Social and Governance Report (Continued)

During the Reporting Period, there were no cases for the Group of non-compliance in relation to compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and anti-discrimination and other benefits and welfare.

Aspect B2: Health and Safety

Occupational Health and Safety

The Company commits to fully complying with all prevailing legislations and any contractual requirements in respect of health and safety. To achieve this goal, the Board of Directors, senior management, line management and all personnel shall actively pursue the Company's safety policy. The management is accountable to the Board of Directors for overall implementation of safety policy.

It is our intention to give the highest priority to health, safety and environmental protection when considering business dealings. Adequate resources, necessary information, training and supervision have been provided for the implementation of the policy. All personnel must comply with the safety regulations and commit to implementing safety management practices to eliminate unsafe conditions and unsafe acts.

The Company aims at achieving high safety standards in daily operations. Such standards include zero fatal rate and below a target accident frequency rate of 0.6 per 100,000 man-hours worked. To achieve these targets, regular internal safety audit have been carried out to monitor the safety management system's performance of each construction site and seek for continual improvement.

Safety objectives in quantifiable terms are documented for each site, workshop and office. Records are maintained and displayed regarding these safety performance measures. Each person on site is responsible for the safety and health of himself and of all other persons that may be affected by his acts or omissions at work. They are not to interfere with or misuse any item provided in the interests of safety and health. The performance of employee in health and safety is considered as one of the basic criteria for promotion. Any employees found to be deliberately and consistently in breach of regulations and instructions on health and safety may be subject to summary dismissal.

All of the Company's sub-contractors need to execute safety works, and they are responsible to the site responsible persons of the Company. They must ensure their staff and operatives are complying with health and safety laws and standards. The Company has the responsibility to ensure that employees at all levels have received appropriate occupational health and safety training and are competent to carry out their occupational health and safety duties and responsibility.

The safety policy is also applicable to subcontractors and suppliers at our sites, workshops and offices. The meeting of Safety Management Committee is held once every two months for reviewing the safety management system, while the safety policy is reviewed annually.

During the Reporting Period, there were no cases for the Group of non-compliance in respect of the provision of a safe working environment and protection of employees from occupational hazards.

Environmental, Social and Governance Report (Continued)

Aspect B3: Development and Training

Training and Development for Employees

The commitment of the Company to its staff is reflected by its Philosophy: Communicate, Considerate, Commit and Complete. We recognise that the Company's success depends on its people and that to remain amongst the best in the industry it must always seek ways to improve the standards and performance of our staff.

Our training and development policy is based on the view that the knowledge, attitude and skills of our staff are amongst the most important assets to realise our ambition. As a consequence, education and training are an essential part of our HR policy.

We, therefore, invest resources in the training and development of staff in order to improve their performance; and prepare those with the ability to take on additional or different responsibilities for future career progression. We use training programmes to create meeting places for exchange of experience and networks for staff from different levels, disciplines and cultural backgrounds, and to offer opportunities for benchmarking to the outside world. The training programmes take the form of internal and external courses, project work, deputising for more senior staff and local or overseas on-the-job training and development. The Company also provides financial support for employees pursuing external training and education.

Aspect B4: Labour Standards

Anti-child and Forced Labour

The foundation of the Company's "No Child and Forced Labour Policy" is based on the Company's commitment to find practical, meaningful and culturally appropriate responses to support the elimination of such labour practices. It thus endorses the need for appropriate initiatives to progressively eliminate these abuses.

The Company does not employ any person below the age of eighteen years at the workplace. We prohibit the use of forced or compulsory labour at all its workplaces. No employee is made to work against his or her will or work as bonded or forced labour, or subject to corporal punishment or coercion of any type related to work.

This policy is publicly available throughout the Company and has been clearly communicated to all employees and subcontractors in a manner in which it can be understood through induction programmes, policy manuals and intranet portal. Employment contracts and other records, documenting all relevant details of the employees, including age, are maintained and are open for verification by any authorised personnel or relevant statutory body.

Corporate Internal Audit and Compliance Department undertakes audit and assessment annually, while Corporate Human Resources undertakes random checks of records annually to identify and inspect any cases of non-compliance.

During the Reporting Period, there were no cases for the Group of non-compliance in respect of child and forced labour-related laws and regulations.

Environmental, Social and Governance Report (Continued)

Aspect B5: Supply Chain Management

Supply Chain Practices

The Company operates to high standards of quality through a lean organisation which produces world class products. Our suppliers are integral to our continued success and it is essential that they conduct their business in a manner that supports this commitment to a world class performance. To this end we aim to develop and maintain value-adding relationships with our supply base.

The Company does business with suppliers and subcontractors who meet our standards of technical competence, innovation, product quality, reliability, delivery performance, cost, financial soundness, safety, ethics and social responsibility. Regarding suppliers or subcontractors with staff carrying out work at the Company's premises or construction sites, they are required to operate in an acceptable and safe manner without undue risks to themselves, our staff and other personnel, and the health, safety and other essential arrangements pertaining at the sites where they are operating have to be fully communicated. The suppliers or subcontractors are required to ensure all hazards and risks associated with the use of the products/services they supplied are properly identified and assessed and adequate safeguards and working practices are put in place for the Company.

Since the Company's operations have significant involvement from suppliers or subcontractors, the Company strives to develop long-term relationships with them where it is practical to do so in order to ensure stable and high quality supplies and services. Furthermore, the Company provides all necessary assistance including training support and sharing of best practices for the suppliers or subcontractors to optimise the whole supply chain. Regular bilateral feedback programmes are conducted to facilitate information exchange and follow-up.

The Company is committed to purchasing materials, goods and services with specifications that are compliant with relevant environmental legislations. Environmental considerations have also been taken into account to, if technically acceptable and economically viable, lower the environmental impact of goods and services purchased. In addition, environmental performance of suppliers/subcontractors is considered during the selection process to enhance green procurement.

Aspect B6: Product Responsibility

Quality Management

It is the policy of the Company, in executing operations at all time in such manner to ensure the customers' satisfaction and full compliance of statutory and other requirements in terms of quality, environment, health and safety in the company's projects.

In the course of implementation and execution of the project, our project management team will carry out regular quality check and inspection in order to ensure that works done by our subcontractors conform to the contractual specifications. We have been awarded with the ISO 9001 for our quality management system since 2002. Our customers may conduct inspection from time to time. We will also hold progress meetings with our customer throughout the project where our project manager will report the progress to the customer, discuss the major issues encountered and obtain customer's feedbacks.

With our long history and presence in Hong Kong, our proven track record and well-established relationship with our existing customers, we are able to rely on our existing customer base, reputation and customer referrals such that we do not rely on promotional activities and therefore there were no issues of advertising and labelling during the Reporting Period.

Environmental, Social and Governance Report (Continued)

Personal Data Privacy

The Company is committed to adopting a Privacy Management Programme in the protection of personal data of its staff, customers, suppliers, subcontractors, etc. and ensuring that all personal data are handled in accordance with the provisions of the Personal Data (Privacy) Ordinance. The Company upholds the following principles in data privacy management:

- Collect adequate, but not excessive, personal data by lawful and fair means only for lawful purposes related to the Department's functions or activities;
- Take all reasonably practicable steps to ensure that the personal data collected or retained are accurate, having regard to the purposes for which they are to be used;
- Take all reasonably practicable steps to ensure that the personal data are not kept longer than is necessary for the purposes for which they are to be used;
- Use the personal data collected only for purposes or directly related purposes for which the data were to be used at the time of collection, unless the individual concerned has given express consent for a change of use or such use is permitted by law;
- Take all reasonably practicable steps to ensure that personal data are protected against unauthorised or accidental access, processing, erasure or other use;
- Take all reasonably practicable steps to ensure that a person can be informed of the kinds of personal data that the Department holds and the purposes for which the data are to be used; and
- Permit persons to access and correct personal data of which they are the data subjects and process any such access/correction requests in a manner permitted or required by law.

During the Reporting Period, there were no cases of non-compliance in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided by the Group.

Aspect B7: Anti-corruption, fraud, extortion & Anti-money laundering

The Company has established the Code of Ethics and Conduct (the "Code") which provides an ethical and behavioural framework for staff, suppliers and subcontractors and stakeholders in Hong Kong and overseas. All concerned parties are required to comply with these guidelines when doing business with the Company. All concerned parties should ensure communication with our employees for compliance with the Code.

Prevention of Bid-rigging and Offering Bribes

Particularly, there may be a risk of bid-rigging and bribes due to the nature of the industry that projects are usually of huge value. In light of that, the Company has devised certain policies and controls in preventing these acts.

The Project Tendering and Management Policies and Procedures have been established to govern project tendering, preparation, budgeting, completion, delivery and reporting. Another Suppliers and Subcontractors Appraisal Policies have been established to guide the annual evaluation of suppliers/ subcontractors.

Internal controls used for prevention of bid-rigging and bribes include arrangement of training from relevant organisations (such as the Independent Commission Against Corruption) and legal professionals for staff, use of checklist to help detect signs of bid-rigging during the tendering process, periodic comparative analysis of subcontracting fees, material costs and other overheads in tender proposals and so on.

Environmental, Social and Governance Report (Continued)

Prevention of Fraud, Extortion and Money-laundering

In order to make staff aware of fraud, extortion and money laundering, prevention of such activities taking place and what to do should any money laundering activity be suspected, the Project Tendering and Management Policies and Procedures have been established to advise our staff to always conduct Customer Due Diligence (CDD), maintain proper records of transactions and have in place a proper internal control system.

Besides reporting suspicious transactions (STR) to the Joint Financial Intelligence Unit (JFIU), CDD and record keeping are two of the "core" money laundering and terrorist financing counter-measures adopted.

During the Reporting Period, there were no cases of non-compliance in relation to bribery, corruption, fraud, extortion and anti-money laundering.

Aspect B8: Community Investment

Corporate Social Responsibility

The Company vitalises corporate responsibility as part of our responsibility and sustainability priority. We recognise that we must integrate our business values and operations with the expectations of our stakeholders. They include our customers, employees, investors, suppliers and subcontractors, society and the community and the environment.

In regard to business practices, we focus on ensuring a high level of business performance while minimising and effectively managing fraud risk to uphold the values of honesty, partnership and fairness in our relationships with all our stakeholders, and encouraging suppliers and subcontractors to adopt socially responsible business policies and practices.

As for community involvement, we strive to understand the needs of the community by proactively encouraging dialogue with local communities for mutual benefits, supporting our staff to help local community organisations and activities, and working with local schools, colleges and universities to assist young people in choosing their future careers, being an advocate for our industry.

During the Reporting Period, the Company participated in the following community events:

- HKCA Construction Safety Award
- Considerate Contractors Site Award Scheme
- Safety Quiz
- Hong Kong Awards for Environmental Excellence
- Caring Company Award
- Engaged with NGO for Volunteer Works
- Construction Industry Sports Day and Charity Fun Day

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements of the Group for the Year.

Principal Activities

The principal activity of the Company is investment holding. The Company's subsidiaries principally provide (i) building construction services; and (ii) RMAA works services in Hong Kong as main contractor.

An analysis of the Group's segment information for the Year by business is set out in note 5 to the consolidated financial statements.

Results and Dividends

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK2.5 cents per share).

Together with the interim dividend of HK1.0 cents per share paid during the Year, the full year dividend amounts HK1.0 cent (2019 full year: HK3.75 cents).

Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on page 3 and pages 4 to 8 respectively. Details of the Company's share option scheme are provided on page 8 of the "Management Discussion and Analysis". An analysis of the Group's financial risk management is provided in note 32(b) to the consolidated financial statements. An indication of likely future development in the Company's business is set out on page 4 of the "Management Discussion and Analysis". Events after the reporting period is provided in note 35 to the consolidated financial statements.

Report of the Directors (Continued)

Environmental Policies and Performance

The Group is committed to minimise any negative impact on the environment which may be resulted from business activities. The Group has established an environmental management system and was certified by SGS United Kingdom Limited to be in compliance with the requirements of ISO 14001:2015 since 2009.

The Group adopts the following environmental protection measures in order to ensure proper management of environmental protection and compliance with statutory requirement in our daily operation:

– setting environmental goals and objectives and periodically reviewing such goals and objectives;

– giving priority to minimising environmental impacts and setting environmental friendly construction processes when devising the construction plans;

– monitoring all site operations which have significant environmental impact and ensure compliance with environmental legislations, regulations and requirements to which the Group subscribes;

– encouraging the reduction in disposal and emission of construction wastes, dusts, noise and water pollution at sites;

– taking into account previous environmental performance of the sub-contractors and suppliers when selecting the appropriate sub-contractors and suppliers to be engaged;

– providing education and training to the workers, sub-contractors and suppliers to ensure that they conduct their operations in an environmentally friendly and responsible manner; and

– encouraging feedbacks and suggestions from the customer, workers, sub-contractors, suppliers and public for improvements in the environmental management system.

Compliance with Law and Regulation

The Group recognises the importance of compliance with regulatory requirements to keep the license and various construction related qualifications granted by respective government departments and quasi-Government organisations and that the risk of non-compliance with such requirements could lead to (i) removal from all categories in which the contractor is listed or a particular category under the current contractors registration scheme; (ii) suspension from tendering in all categories of the contractor lists; and (iii) termination of the business. The Group has been allocating system and staff resources to ensure ongoing compliance with relevant rules and regulations and to maintain cordial working relationships with relevant authorities through effective communications.

A review was undertaken against the procurement processes, procedures and practices for compliance with the new Competition Ordinance that came into force in December 2015, Chapter 619 of the laws of Hong Kong. No significant amendments were required as the pre-existing approach was already consistent with the ethos and requirements of the Ordinance.

To ensure compliance with the new Competition Ordinance, the Group has conducted trainings for the staff. The Company has also step up measures to increase safety awareness amongst the management and staff to prevent accidents in contravention of safety regulations.

Report of the Directors (Continued)

The Group also complies with the requirements under the Companies Law (2013 Revision) of the Cayman Islands Company Limited by shares, the Listing Rules and the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**") for the disclosure of information and corporate governance.

Key Relationships with Employees and Subcontractors

The Group's success is contributed by amongst other matters, the support from key stakeholders which comprise employees, shareholders and subcontractors.

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resources management is to reward and recognise staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by providing appropriate training and opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for improving the Group's financial performance and rewarding shareholders by stable dividend payouts in the foreseeable future when sustainable earnings growth can be achieved, taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group.

Subcontracting is a common practice in the building construction services and RMAA work services industry in Hong Kong as it minimises the number of employees employed directly by main contractors, increases labour mobility and brings about cost efficiency. As such, maintaining good relations with subcontractors is crucial. The Group has established long-term business relationship with our subcontractors who are closely monitored and supervised by the Group.

The five largest subcontractors (in terms of cost of services) during the Year have maintained business relationship with the Group for a period ranging from 2 to 15 years. Through the past dealings with the subcontractors, the Group have acquired sufficient appreciation of their expertise and strengths for maintaining our internal list of approved subcontractors that are able to meet our safety and quality standards.

Customers

During the Year, the business opportunities generally arose from reviewing the tender invitations from various Government bodies published on the Gazette or receiving invitation for tender from customers in the private sector.

The major customers include the Government, quasi-Government organisations, universities, schools, institutions and incorporated owners of private buildings. During the Year, revenue derived from the Group's top five largest customers amounted to approximately HK$521.5 million (2019: HK$818.9 million), representing approximately 97.2% of the total revenue (2019: 98.0%).

Report of the Directors (Continued)

Principal Risks and Uncertainties Facing the Company

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

Most of the revenue is derived from contracts awarded through competitive tendering. There is no guarantee that the existing contracts may continue upon expiry or new contracts may be awarded to the Group to maintain or expand the business.

There are a large number of qualified building construction service providers and RMAA service providers in Hong Kong. Building construction service providers and RMAA service providers must be licensed to be registered general building contractors under the Buildings Ordinance and must have obtained other requisite licences, depending on the skills and technical capabilities required for relevant projects. New participants may be admitted to compete with us provided that they attain the required technical and management capabilities and skills and are granted the required licences. Due to the large number of competitors, the Group may face significant downward pricing pressure which would reduce our profit margins.

Thus, if the Group fails to compete effectively or maintain our competitiveness in the market, the business, financial condition and results of operations will be adversely affected.

The Group continues to take advantage of its various licenses and qualifications and extensive experience in construction industry to solidify and expand the market share in the public construction industry and RMAA service in Hong Kong.

The Group's cash flows may fluctuate due to the payment practice applied to the projects

As at 31 March 2020 and 2019, the cash and cash equivalents were approximately HK$54.9 million and HK$274.0 million respectively. As a main contractor, the Group normally incur net cash outflows at the early stage of carrying out the works when the Group are required to pay the setting up expenditures in advance of payments from the customers. The customers will pay progress payments after the works commence and such works and payments are certified by the architects of the customers. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

The Group undertakes a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If the Group takes up too many significant projects, which require substantial initial setting up costs without cash inflow from other projects at a particular point of time, our corresponding cash flow position may be adversely affected.

The Group will continue to closely monitor the capital and cash flow positions, particularly the sub-contracting fees which have augmented in recent years. In the process of identifying and capturing emerging opportunities, the Group will continue to deploy the resources on a selective and prudent basis to focus on projects which are more profitable in nature. The Group will continue to focus on the internal control system to ensure adequate cash flow for the ongoing capital requirements, and to achieve maximum cost savings.

Report of the Directors (Continued)

A significant percentage of the revenue and trade receivable is derived from the major customers

The revenue derived from the five largest customers amounted to approximately 97.2% of the total revenue in the Year (2019: 98.0%). The Group will broaden the customer base by an expansion in RMAA service and building construction service capacity to cover design and build projects.

The Group may take a long time to collect the trade receivables

The Group normally receive progress payment from the customers on a monthly basis, with reference to the value of the works completed in the preceding month. Generally, the value of the works completed is assessed by the architects of the customers who will issue an interim certificate certifying the work progress in the preceding month.

In line with industry practice, there is generally a contract term for the customer to secure the Group's due performance by holding up retention money from the progress payment. As for contracts with the Government and quasi-Government organisations, the certified value retained at each stage is generally 1% of the progress payment, subject to a limit of retention fund of not more than 1% of the total contract sum. As for contracts with private sector customers, the certified value retained at each stage is generally 5–10%, subject to a limit of retention fund of not more than 5% of the total contract sum. In general, the retention money will be released to the Group after expiry of the defect liability period subject to the confirmation from the architect of the customers regarding satisfaction with our works.

There can be no assurance that the progress payment is paid to the Group on time and in full, or the retention money or any future retention money will be remitted by the customers to the Group on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as during the year. Any failure by the customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

In order to minimize the credit risk, the Group carries out a credit investigation on such customer which includes performance of credit search, assess to and review of its financial information and obtain advice from business partners in relation to the potential customer. The level of credit granted must not exceed a predetermined level set by the Directors and the approval for providing credit facilities to the customer must be documented in writing. The Group also performs ongoing credit evaluations of the customers. In addition, our accounts department follows a set of monitoring procedures to ensure that follow-up steps are taken for collection of receivables.

Subsidiaries

Details (including the principal activities) of the Company's subsidiaries as at 31 March 2020 are set out in note 34 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 61 of this annual report and note 33 to the consolidated financial statements, respectively.

Distributable Reserves

As at 31 March 2020, reserve available for distribution to the owners of the Company as calculated in accordance with statutory provisions applicable in the Cayman Islands amounted to approximately HK$42,750,000 (2019: HK$44,012,000).

Report of the Directors (Continued)

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 12 to the consolidated financial statements.

Charitable Donations

Charitable and other donations made by the Group during the Year amounted to HK$139,000 (2019: HK$1,072,485).

Pre-emptive Rights

No pre-emptive rights exist under the Company's Articles or under the laws in Cayman Islands, being the jurisdiction in which the Company was incorporated.

Tax Relief and Exemption

The Company is not aware of any tax relief or exemption available to shareholders of the Company by reason of their holding of the Company's securities.

Group Financial Summary

A summary of the results, assets and liabilities of the Group for the last four financial years is set out on page 114 of this annual report.

Share Capital and Equity-linked Agreement

Details of the movements in share capital of the Company during the Year are set out in note 24 to the consolidated financial statements.

Save as disclosed under the section headed "Share Option Scheme", no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

Directors

During the Year and thereafter up to the date of this report, the Directors are named as follows:

Executive Directors:

Mr. Lam Kin Wing Eddie *(Chairman)*
Mr. Shut Yu Hang
Mr. Chung Koon Man

INEDs

Mr. Tang Chi Wang
Mr. Wong Kwong On
Mr. Tse Ting Kwan

Report of the Directors (Continued)

Pursuant to article 16.18 of the Articles, at every annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Lam Kin Wing Eddie and Mr. Tse Ting Kwan shall retire from office by rotation at the 2020 AGM and both of them, being eligible, have offered themselves for re-election.

Confirmation of Independence of INEDs

The Company has received an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules from each of the INEDs, namely Mr. Tang Chi Wang, Mr. Wong Kwong On and Mr. Tse Ting Kwan as at the date of this report. The Company considers the INEDs to be independent.

Biographies of Directors

The biographical details of the Directors are set out on pages 9 to 11 of this annual report.

Directors' Service Contracts

The Company has entered into service contracts with all executive Directors for a term of 3 years. The contracts shall be continuing thereafter unless and until terminated by either party thereto giving to the other not less than six months written notice.

In addition, the Company has entered into letters of appointment with INEDs for a term of 3 years, which shall be continuing unless and until terminated by either party.

None of the Directors who are proposed for re-election at the 2020 AGM has entered into 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 Transactions, Arrangements or Contracts

Save for the transactions between the Group and Popstate Limited (a company wholly-owned by Mr. Lam Kin Wing Eddie), details of which have been disclosed in note 29 to the financial statements, no transactions, arrangements or contracts of significance to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries for the Year. There was also no contract of significance between the Company or one of the subsidiaries and the controlling shareholders or any of its subsidiaries.

Report of the Directors (Continued)

Management Contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Year.

Directors' Emoluments

Details of the remuneration of the Directors on named basis during the Year are set out in note 6(a) to the consolidated financial statements.

Remuneration Policy

The remuneration policy of the Company is reviewed regularly, making reference primarily to the market conditions and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the remuneration committee and the Board, which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 19 of this annual report.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the job training, external seminars and programs organised by professional bodies and educational institutes.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which the Company will give priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

– the Articles of Association of the Company;

– the applicable restrictions and requirements under the laws of the Cayman Islands;

– any banking or other funding covenants by which the Company is bound from time to time;

– the investment and operating requirements of the Company; and

– any other factors that have material impact on the Company.

Report of the Directors (Continued)

Equity-Linked Agreements

Save as and except for the Share Option Scheme as disclosed below, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company issuing shares, was entered into by the Company during the year end 31 March 2020 or subsisted at the end of the reporting year.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme.

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants or advisers of the Group and to promote the success of the Group.

(2) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant an employee (full-time or part-time), a Director, consultant and adviser of the Group, or any substantial shareholder of the Group, options to subscribe at a price calculated in accordance with paragraph (3) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(3) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(4) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

Report of the Directors (Continued)

(5) Maximum number of Shares

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) must not in aggregate exceed 10% of the total number of Shares in issue as at the listing of the shares of Company on GEM of the Stock Exchange on 9 October 2015. The number of Shares available for issue under the Share Option Scheme is 80,000,000 Shares, representing 10% of the issued Shares as at the date of this report. The Company may refresh this limit at any time, subject to the shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for such purpose, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. The above is subject to the condition that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not exceed 30% of the Share Capital of the Company in issue from time to time.

(6) Maximum entitlement of each Eligible Person

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders of the Company and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(7) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. Unless otherwise determined by the Board and stated in the offer, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(8) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, being 22 September 2015.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

Permitted Indemnity

Appropriate insurance policies that cover directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses, which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Report of the Directors (Continued)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2020, the interests and short positions of the Directors and the chief executives of the Company in the ordinary shares of the Company (the "**Shares**"), underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 13 of Appendix 16 of the Listing Rules, were as follows:

Name of shareholder	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Lam	Interest in controlled corporation *(Note 1)*	580,000,000(L)	72.5%
Mr. Chung Koon Man	Beneficial owner	2,000,000(L)	0.25%

(L) denotes long position.

Note:

1. Mr. Lam beneficially owns 100% of the ordinary issued share capital of Cheers Mate Holding Limited ("**Cheers Mate**'). By virtue of the SFO, Mr. Lam is deemed to be interested in 580,000,000 Shares held by Cheers Mate.

Save as disclosed above, as at 31 March 2020, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 13 of Appendix 16 of the Listing Rules.

Directors' Right to Acquire Shares

Save as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the Year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Report of the Directors (Continued)

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors are aware, as at 31 March 2020, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/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 any other member of the Group:

Name of shareholders	Nature of interests	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Cheers Mate *(Note 1)*	Beneficial owner	580,000,000(L)	72.5%
Ms. Cheng Pui Wah Theresa *(Note 2)*	Interest of spouse	580,000,000(L)	72.5%

(L) denotes long position.

Notes:

(1) Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate. By virtue of the SFO, Mr. Lam is deemed to be interested in 580,000,000 Shares held by Cheers Mate.

(2) Ms. Cheng, Pui Wah Theresa is the spouse of Mr. Lam. By virtue of the SFO, Ms. Cheng is deemed to be interested in the same number of Shares in which Mr. Lam is deemed to be interested under the SFO.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/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 any other member of the Group.

Report of the Directors (Continued)

Shareholders' Interests in Securities of Significance

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 March 2020, no other person is individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

Major customers and sub-contractors

The percentage of sales for the Year generated from the Group's major customers is as follows:

–	The largest customer	85.0%
–	Five largest customers	97.2%

The percentage of sub-contracting fees for the Year attributable to the Group's major sub-contractors is as follows:

–	The largest sub-contractors	17.5%
–	Five largest sub-contractors	31.3%

None of the Directors, their close associates (as defined in the Listing Rules) or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers and sub-contractors for the Year.

Purchase, sale or redemption of shares by the Company's Listed Securities

The Company did not redeem any of its Shares listed and traded on the Main Board of the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

Code of Conduct Regarding Director's Securities Transactions

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the model code for securities transactions by directors of listed issuer set out in Appendix 10 of the Listing Rules. Having been made a specific enquiry by the Company, each of the Directors confirmed that he had complied with such code of conduct and the model code for securities transactions by directors of listed issuer regarding securities transactions throughout the Year.

Report of the Directors (Continued)

Directors' Interests in Competing Business

During the Year, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under the Listing Rules.

Audit Committee

The Company has set up an audit committee (the "Audit Committee") on 22 September 2015 with terms of reference as revised by the Board with effect from 24 January 2019. The duties of the Audit Committee are to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit Committee comprises all three INEDs, namely Mr. TSE Ting Kwan, who is the chairman of the Audit Committee, Mr. TANG Chi Wang and Mr. WONG Kwong On. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.

Related Party Transactions

Details of the significant related party transactions of the Group are set out in note 29 to the consolidated financial statements and all such transactions are continuing connected transactions that are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Public Float

Based on the information that is publicity available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the percentage of public float as prescribed in the Listing Rules for the Year and up to the date of this annual report.

Report of the Directors (Continued)

Compliance with Corporate Governance Code

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 13 to 23 of this annual report.

The 2020 Annual General Meeting

The 2020 AGM of the Company will be held at 1/F., 180-182 Hennessy Road, Wanchai, Hong Kong on Thursday, 13 August 2020 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Subsequent Event

Since early 2020, in response to outbreak of COVID-19 (the "**Outbreak**"), the Group has implemented precautionary measures and hygiene measures to prevent and control the Outbreak and safeguard the occupational health and safety of its employees.

In addition, some of the Group's projects have been delayed due to temporary suspension of certain projects by customers or suspension of production and delivery from some material suppliers. Hence, the Group's financial performance and financial position has inevitably been affected. The management of the Group will continuously monitor the situation of COVID-19 and will take appropriate measures when necessary.

Save as disclosed above, the Group had no material event subsequent to the end of the reporting period and up to the date of this report.

Independent Auditor

The consolidated financial statements for the Year have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment. The Board has taken the Audit Committee's recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the 2020 AGM.

There has been no change in the auditor of the Company for the past three years.

On behalf of the Board

Lam Kin Wing Eddie
Chairman and executive Director

Hong Kong, 24 June 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF THELLOY DEVELOPMENT GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Thelloy Development Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 59 to 113, 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

Independent Auditor's Report (Continued)

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
Revenue and direct costs from construction contracts	
We identified the recognition of revenue and direct costs from construction contracts, as a key audit matter due to the use of judgment and estimates by management in determining the stage of completion, contract revenue and budget costs of incomplete construction contracts. During the year ended 31 March 2020, the Group generated revenue of HK$536,606,000 and incurred direct costs of HK$482,371,000 from construction contracts. The Group recognised contract revenue and relevant direct costs by reference to the stage of completion of contract activity using the input method at the end of each reporting period. As discussed in note 4 to the consolidated financial statements, the management exercises judgments in estimating the budget costs, which are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. Changes in estimates or the actual outcome will affect recognition of revenue and/or direct cost.	Our procedures in relation to recognition of revenue and direct costs from construction contracts included: • Understanding management's process in estimation of the contract revenue, budget cost and determination of completion status of the construction contracts; • Agreeing the total contract value to the contracts and variation orders (if any), architect's instructions or other form of agreements or other correspondences, on a sample basis; • Testing the contract costs recognised to date by checking to supporting documents including the certificates issued to the subcontractors/suppliers/vendors and/or their correspondences or other documents issued before and subsequent to year end date, on a sample basis; • Evaluating the reasonableness of percentage of completion of construction contracts by comparing the percentage calculated based on costs incurred at the end of the reporting period against that calculated based on external surveyors' certifications, and investigating any significant differences identified.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated financial position and the involvement of subjective judgment and estimates by management in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period. At 31 March 2020, the Group's trade receivables and contract assets amounted to HK$30,787,000 and HK$19,141,000, respectively. During the year ended 31 March 2020, the Group recognised an impairment loss on trade receivables and contracts assets of HK$178,000. As disclosed in note 4 to the consolidated financial statements, management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets individually. The assessment is based on the internal credit ratings, ageing, repayment history and/or past due status of the respective customers. Estimated loss rates are based on historical observed default rates over the expected life of the customers and are adjusted for forward-looking information.	Our procedures in relation to impairment assessment of trade receivables and contract assets included: • Understanding the key controls on how the management estimates the loss allowance for trade receivables and contract assets; • Testing the integrity of information used by management in the impairment assessment, including trade receivables ageing analysis as at 31 March 2020, on a sample basis, by comparing individual items in the analysis with the relevant agreements, invoices and other supporting documents; • Challenging management's basis and judgment in determining credit loss allowance on trade receivables and contract assets as at 31 March 2020, including their identification of credit-impaired balances, and the basis of estimated loss rates applied to each customer (with reference to the historical default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in note 32 to the consolidated financial statements.

Other Information

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

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

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

Independent Auditor’s Report (Continued)

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Hung Suk Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 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	**536,606**	835,175
Direct costs		**(482,371)**	(746,817)
Gross profit		**54,235**	88,358
Other income and other losses		**2,420**	1,977
Other expenses	8	**(13,521)**	–
Impairment loss on financial assets and contract assets under expected credit loss model, net of reversal		**(871)**	(14,397)
Administrative expenses		**(26,168)**	(30,773)
Share of loss of a joint venture		**(5)**	–
Finance costs	7	**(704)**	(242)
Profit before taxation	8	**15,386**	44,923
Income tax expense	9	**(2,630)**	(7,415)
Profit and total comprehensive income for the year		**12,756**	37,508
Earnings per share	11		
Basic (HK cents)		**1.59**	4.69

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	12	29,367	563
Right-of-use assets	13	1,416	–
Investment properties	14	63,324	–
Interest in a joint venture	15	–	–
		94,107	563
Current assets			
Trade receivables	16	30,787	52,347
Other receivables, deposits and prepayments	17	1,886	2,629
Contract assets	18	19,141	13,500
Tax recoverable		5,477	8,107
Amount due from a joint venture	15	6,660	–
Pledged bank deposits	19	6,039	6,146
Bank balances and cash	19	54,872	274,005
		124,862	356,734
Current liabilities			
Trade payables	20	29,619	115,439
Other payables and accrued expenses	21	53,653	69,502
Contract liabilities	18	10,892	28,760
Lease liabilities	22	1,453	–
Bank borrowing	23	–	5,000
		95,617	218,701
Net current assets		29,245	138,033
Net assets		123,352	138,596
Capital and reserves			
Share capital	24	8,000	8,000
Reserves		115,352	130,596
Equity attributable to owners of the Company		123,352	138,596

The consolidated financial statements on pages 59 to 113 were approved and authorised for issue by the Board of Directors on 24 June 2020 and are signed on its behalf by:

Lam Kin Wing Eddie
DIRECTOR

Chung Koon Man
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2018	8,000	42,490	18,800	61,798	131,088
Profit and total comprehensive income for the year	–	–	–	37,508	37,508
Dividend paid *(note 10)*	–	–	–	(30,000)	(30,000)
At 31 March 2019	8,000	42,490	18,800	69,306	138,596
Profit and total comprehensive income for the year	–	–	–	12,756	12,756
Dividend paid *(note 10)*	–	–	–	(28,000)	(28,000)
At 31 March 2020	8,000	42,490	18,800	54,062	123,352

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	15,386	44,923
Adjustments for:		
Depreciation of property, plant and equipment	1,132	250
Depreciation of right-of-use assets	1,672	–
Depreciation of investment properties	585	–
Loss on disposal of property, plant and equipment	–	88
Impairment loss on financial assets and contract assets under expected credit loss model, net of reversal	871	14,397
Share of loss of a joint venture	5	–
Finance costs	704	242
Bank interest income	(1,270)	(1,977)
Operating cash flows before movements in working capital	19,085	57,923
Change in contract assets/liabilities, net	(23,554)	(1,992)
Decrease (increase) in trade receivables	21,427	(39,165)
Decrease in other receivables, deposits and prepayments	852	3,143
Increase in amount due from a joint venture	(7,353)	–
(Decrease) increase in trade payables	(85,820)	47,548
Decrease in other payables and accrued charges	(16,075)	(7,189)
Cash (used in) generated from operations	(91,438)	60,268
Tax paid	–	(21,124)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(91,438)	39,144
INVESTING ACTIVITIES		
Bank interest received	1,270	1,977
Purchase of property, plant and equipment	(2,458)	(4)
Additions of investment properties	(758)	–
Proceeds from disposal of property, plant and equipment	–	10
Investment in a joint venture	(5)	–
Net cash outflow on acquisition of a subsidiary *(note 25)*	(90,392)	–
Withdrawal of pledged bank deposits	1,191	20,010
Placement of pledged bank deposits	(1,084)	(112)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(92,236)	21,881

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Interests paid	**(824)**	(122)
Repayment of lease liabilities	**(1,635)**	–
New bank borrowing raised	**65,000**	40,000
Repayment of bank borrowings	**(70,000)**	(35,000)
Dividend paid *(note 10)*	**(28,000)**	(30,000)
NET CASH USED IN FINANCING ACTIVITIES	**(35,459)**	(25,122)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(219,133)**	35,903
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**274,005**	238,102
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**54,872**	274,005

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. General

Thelloy Development Group Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 28 May 2015 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2015. Its immediate and ultimate holding company is Cheers Mate Holding Limited, a company incorporated in the British Virgin Islands (the "BVI"). The address of the Company's registered office and the principal place of business are PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104 and 2/F, Centre 600, 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong, respectively.

The Company and its subsidiaries (the "Group") are principally engaged in property construction services in Hong Kong.

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

2. 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 disclosed 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.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded Hong Kong Accounting Standards ("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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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)

HKFRS 16 "Leases" (Continued)

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 earnings 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; and

(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.

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 lessee's incremental borrowing rate applied is 5.25%.

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	3,301
Lease liabilities discounted at relevant incremental borrowing rates	3,206
Less: Recognition exemption – short-term leases	(118)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	3,088
Analysed as	
– Current	1,635
– Non-current	1,453
	3,088

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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)

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

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$'000	Adjustment HK$'000	Carrying amounts under HKFRS 16 as at 1 April 2019 HK$'000
Non-current assets			
Right-of-use assets	–	3,088	3,088
Current liabilities			
Lease liabilities	–	(1,635)	(1,635)
Non-current liabilities			
Lease liabilities	–	(1,453)	(1,453)

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

1 Effective for annual periods beginning on or after 1 January 2021 (Remark)
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

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)

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 other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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)

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

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 and the Hong Kong Companies Ordinance.

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

Historical cost is generally based on fair value of the consideration given in exchange for goods or 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 Company 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 financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are 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 net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

3. Significant Accounting Policies (Continued)

Basis of consolidation

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

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

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

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.

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

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

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in a joint venture

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. When the Group's share of losses of 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Investment in a joint venture (Continued)

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.

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 or partial disposal of the relevant joint venture.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Property, plant and equipment

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment losses 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 those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount 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 assesses 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Revenue from contracts with customers

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

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 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 each 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 difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences 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 assets to be recovered.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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 rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

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

Current and deferred tax are recognised in profit or loss.

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 assesses 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.

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

The Group applies the short-term lease recognition exemption to leases of offices and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Leases (Continued)

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

Right-of-use assets (Continued)

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 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 that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position.

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Leases (Continued)

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

Lease modifications

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 and lease incentives from lessor 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 a lessee (prior to 1 April 2019)

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

Operating lease payments, including the cost of acquiring land held under operating lease, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks 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.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Classification and measurement of leases (Continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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 benefits costs

Payments to the Mandatory Provident Fund Schemes ("MPF Schemes") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense 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 and annual leave) after deducting any amount already paid.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for the 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees 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 fair value through profit or loss ("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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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.

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 and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and deposits, amount due from a joint venture, pledged bank deposits and bank balances and cash) and contract assets 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 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (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, 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.

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.

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity instruments 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.

Financial liabilities

Financial liabilities including bank borrowing, trade payables, other payables and accrued charges are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

The Group derecognises a financial liability 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.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, 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 estimates are 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.

Key sources of estimation uncertainty

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

Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit or loss recognised in each period.

Recognised amounts of construction contract revenue and related receivables reflect the management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. Notwithstanding that the management frequently reviews and revises the estimates of both the estimated revenue and direct costs as the contracts progress, changes in estimates or the actual outcome will affect recognition of revenue and/or direct costs.

Impairment assessment of trade receivables and contract assets

ECL on trade receivables and contract assets are assessed individually. The assessment is based on the internal credit ratings, ageing, repayment history and/or past due status of the respective customers. Estimated loss rates are based on historical observed default rates over the expected life of the customers and are adjusted for forward-looking information. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Details of impairment assessment are set out in note 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

5. Revenue and Segment Information

Revenue

Disaggregation of revenue

	2020 HK$'000	2019 HK$'000
Recognised over time under HKFRS 15:		
Building construction	**369,100**	400,790
Repair, maintenance, alteration and addition ("RMAA") works	**138,879**	429,373
Design and build	**28,627**	5,012
Revenue from contracts with customers	**536,606**	835,175
Government departments	**458,188**	756,192
Private customers	**78,418**	78,983
	536,606	835,175

Performance obligations for contracts with customers

The Group provides building construction, RMAA works and design and build 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 stage of completion of the contract using input method. The stage of completion is determined as the proportion of the costs incurred for the works (i.e. overhead costs, subcontracting costs, materials costs and direct staff costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services and the margin of each project, to the extent that the amount can be measured reliably and its recovery is considered probable.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones based on surveyors' assessment are reached. 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 on the Group's future performance in achieving specified milestones based on surveyors' assessment. The contract assets are transferred to trade receivables when the rights become unconditional. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

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 maintenance period expires. The maintenance period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

5. Revenue and Segment Information (Continued)

Revenue (Continued)

Transaction price allocated to the remaining performance obligations

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

	2020 HK$'000	2019 HK$'000
Within one year	**234,686**	430,923
More than one year but not more than two years	**21,276**	104,532
	255,962	535,455

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered. The Group's non-current assets amounting to HK$94,107,000 (2019: HK$563,000) as at 31 March 2020 are all physically located in Hong Kong.

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A	**456,199**	753,983

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

6. Directors', Chief Executive's and Employees' Remuneration

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to directors of the Company are as follows:

	Lam Kin Wing Eddie HK$'000 *(notes b & c)*	Shut Yu Hang HK$'000 *(note c)*	Chung Koon Man HK$'000 *(note c)*	Tang Chi Wang HK$'000 *(note d)*	Tse Ting Kwan HK$'000 *(note d)*	Wong Kwong On HK$'000 *(note d)*	Total HK$'000
Year ended 31 March 2020							
Fee	–	–	–	216	216	216	648
Other emoluments:							
Salaries and other benefits	2,400	1,590	3,000	–	–	–	6,990
Performance and discretionary bonus *(note a)*	–	800	600	–	–	–	1,400
Contributions to retirement benefit schemes	18	18	18	–	–	–	54
Total emoluments	2,418	2,408	3,618	216	216	216	9,092

	Lam Kin Wing Eddie HK$'000 *(notes b & c)*	Shut Yu Hang HK$'000 *(note c)*	Chung Koon Man HK$'000 *(note c)*	Tang Chi Wang HK$'000 *(note d)*	Tse Ting Kwan HK$'000 *(note d)*	Wong Kwong On HK$'000 *(note d)*	Total HK$'000
Year ended 31 March 2019							
Fee	–	–	–	207	207	207	621
Other emoluments:							
Salaries and other benefits	2,400	1,470	3,000	–	–	–	6,870
Performance and discretionary bonus *(note a)*	5,000	1,000	1,000	–	–	–	7,000
Contributions to retirement benefit schemes	18	18	18	–	–	–	54
Total emoluments	7,418	2,488	4,018	207	207	207	14,545

Notes:

a. The performance and discretionary bonus are determined by the board of directors from time to time with reference to the directors' duties and responsibilities and the Group's performance and profitability.

b. Mr. Lam Kin Wing Eddie acts as chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive.

c. The emoluments of the executive directors, including Mr. Lam Kin Wing Eddie, Mr. Shut Yu Hang and Mr. Chung Koon Man are mainly for their services in connection with the management of the affairs of the Company and the Group.

d. The emoluments of the independent non-executive directors, including Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On, are for their services as the directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

6. Directors', Chief Executive's and Employees' Remuneration (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group included 3 (2019: 3) directors of the Company. Details of their emoluments are included above. The emoluments of the remaining 2 (2019: 2) highest paid individual for the year are set out as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**2,042**	1,922
Performance and discretionary bonus	**310**	375
Contributions to retirement benefit schemes	**36**	36
	2,388	2,333

The emoluments of the above two remaining highest paid individuals who are not the directors of the Company are within the band HK$1,000,001 to HK$1,500,000.

No emolument was paid by the Group to the directors, the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

7. Finance Costs

	2020 HK$'000	2019 HK$'000
Interests on:		
Bank borrowings	**581**	242
Lease liabilities	**123**	–
	704	242

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

8. Profit Before Taxation

	2020 HK$'000	2019 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,200	1,250
Bank interest income (included in other income and other losses)	(1,270)	(1,977)
Depreciation of property, plant and equipment	1,132	250
Depreciation of investment properties	585	–
Depreciation of right-of-use assets	1,672	–
Legal and professional fee (included in other expenses) (note)	13,521	–
Loss on disposal of property, plant and equipment (included in other income and other losses)	–	88
Operating lease rentals in respect of buildings	N/A	2,898
Rental income from investment properties (included in other income and other losses)	(255)	–
Directors' remuneration (note 6)	9,092	14,545
Staff costs:		
Salaries and allowances	79,096	90,219
Retirement benefits schemes contributions	2,694	3,226
Total staff costs	90,882	107,990

Note: During the year ended 31 March 2020, the Group has initiated an arbitration against a customer in relation to overdue payments and/or under-certification of the Group's claims under two subcontracts.

Based on the advices from the independent legal advisors, the legal claim is still in preliminary stage and hence the final outcome is unable to be determined at this stage. Legal and professional fee of HK$11,597,000 in relation to this arbitration has been recognised in profit or loss and a provision of HK$8,000,000 is included in other payables as at 31 March 2020.

9. Income Tax Expense

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax:		
Current tax	(2,630)	(7,234)
Overprovision in prior years	–	121
	(2,630)	(7,113)
Deferred taxation	–	(302)
	(2,630)	(7,415)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

9. Income Tax Expense (Continued)

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

Accordingly, starting from the current year, the Hong Kong Profits Tax 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 for the qualifying group entity.

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

	2020 **HK$'000**	2019 HK$'000
Profit before taxation	**15,386**	44,923
Taxation at the domestic income tax rate of 16.5% (2019: 16.5%)	**(2,539)**	(7,412)
Tax effect of expense not deductible for tax purpose	**(223)**	(33)
Tax effect of income not taxable for tax purpose	**282**	308
Tax effect of estimated tax losses not recognised	**(315)**	(564)
Effect of two-tiered tax rate in Hong Kong	**165**	165
Overprovision in prior years	**–**	121
Income tax expense	**(2,630)**	(7,415)

The following is the major deferred tax assets recognised:

	Allowance for credit losses HK$'000
At 1 April 2018	302
Charge to profit or loss	(302)
At 31 March 2019 and 2020	–

The Group has estimated unused tax losses of HK$11,415,000 (2019: HK$9,506,000) available for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

10. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution and paid during the year:		
Interim dividend – HK1 cent per ordinary share for 2020 (2019: HK1.25 cents for 2019)	**8,000**	10,000
Final dividend – HK2.5 cents per ordinary share for 2019 (2019: HK2.5 cents for 2018)	**20,000**	20,000
	28,000	30,000

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

11. Earnings Per Share

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

Earnings

	2020 HK$'000	2019 HK$'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**12,756**	37,508

	Number of shares	
	2020 '000	2019 '000
Number of ordinary shares for the purpose of calculating basic earnings per share	**800,000**	800,000

No diluted earnings per share is presented as there is no potential ordinary share in issue for both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

12. Property, Plant and Equipment

	Properties HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Computer equipment and software HK$'000	Total HK$'000
COST							
At 1 April 2018	–	403	119	1,650	114	161	2,447
Additions	–	–	4	–	–	–	4
Disposals	–	(56)	(19)	(1,080)	–	(54)	(1,209)
At 31 March 2019	–	347	104	570	114	107	1,242
Additions	278	–	–	2,180	–	–	2,458
Acquisition of a subsidiary	27,478	–	–	–	–	–	27,478
At 31 March 2020	27,756	347	104	2,750	114	107	31,178
DEPRECIATION							
At 1 April 2018	–	76	98	1,194	104	68	1,540
Provided for the year	–	39	4	171	7	29	250
Eliminated on disposals	–	(9)	(6)	(1,080)	–	(16)	(1,111)
At 31 March 2019	–	106	96	285	111	81	679
Provided for the year	254	34	3	825	3	13	1,132
At 31 March 2020	254	140	99	1,110	114	94	1,811
CARRYING AMOUNT							
At 31 March 2020	27,502	207	5	1,640	–	13	29,367
At 31 March 2019	–	241	8	285	3	26	563

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

Properties	Over the lease term
Leasehold improvements	Over the shorter of the term of the lease or 10 years
Furniture and fixtures	5 years
Motor vehicles	$3^1/_3$ years
Office equipment	5 years
Computer equipment and software	5 years

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

13. Right-Of-Use Assets

	Leased properties HK$'000
As at 1 April 2019	
Carrying amount	3,088
As at 31 March 2020	
Carrying amount	1,416
For the year ended 31 March 2020	
Depreciation charge	1,672
Expense relating to short-term leases	723
Total cash outflow for leases	2,481

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of six months to three 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.

The Group regularly entered into short-term leases for site offices and storage room. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense for year ended 31 March 2020 disclosed above.

14. Investment Properties

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 3 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

14. Investment Properties (Continued)

	Leased properties HK$'000
COST	
At 1 April 2019	–
Additions	758
Acquisition of a subsidiary	63,151
At 31 March 2020	63,909
DEPRECIATION	
At 1 April 2019	–
Provided for the year	585
At 31 March 2020	585
CARRYING AMOUNT	
At 31 March 2020	63,324

The fair value of the Group's investment properties at 31 March 2020 was HK$63,441,000. The fair value has been arrived at based on a valuation provided by the directors of the Group.

The fair value was determined based on the market approach, where made reference to sales evidence which are available in the market and then made appropriate adjustment to reflect the differences in the characteristics between the subject project and the comparable properties such as time, location, building age, size, aspect and floor level, quality and the ancillary facilities.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Carrying amount HK$'000	Fair value at Level 3 hierarchy HK$'000
Office units located in Hong Kong	63,324	63,441

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Investment properties	Over the lease term

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

15. Interest In a Joint Venture/Amount Due from a Joint Venture

Details of the Group's interest in a joint venture are as follows:

	2020 HK$'000
Cost of unlisted interest in a joint venture	5
Share of post-acquisition results	(5)
	–
Amount due from a joint venture *(Note)*	7,353
Less: Allowance for credit loss	(693)
	6,660

Note:

The amount is trade nature, unsecured and interest-free.

The credit period granted by the Group to the joint venture is 30 days from the date of invoices on progress payments of contract work. An ageing analysis of amount due from a joint venture net of allowance of credit losses is presented based on the invoice date at the end of the reporting period.

	2020 HK$'000
0 – 30 days	5,338
31 – 90 days	1,322
	6,660

As at 31 March 2020, included in the Group's amount due from joint venture are debtor with aggregate carrying amount of HK$1,322,000 which are past due.

Details of impairment assessment are set out in note 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

15. Interest In a Joint Venture/Amount Due from a Joint Venture (Continued)

Details of the Group's joint venture at the end of the reporting period is as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group 2020	Proportion of voting rights held by the Group 2020	Principal activity
Nova Techoy Modular Construction Company Limited ("Nova Techoy")	Hong Kong	Hong Kong	51%	51%	Sales of modular housing solutions

	2020 HK$'000
The unrecognised share of loss of a joint venture for the year	5,860
Cumulative unrecognised share of loss of a joint venture	5,860

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

16. Trade Receivables

	2020 HK$'000	2019 HK$'000
Trade receivables	**36,156**	57,583
Less: Allowance for credit loss	**(5,369)**	(5,236)
	30,787	52,347

As at 1 April 2018, trade receivables from customers net of allowance for credit losses amounted to HK$17,844,000.

The credit period granted by the Group to its customers is 30 days from the date of invoices on progress payments of contract work. An ageing analysis of trade receivables net of allowance of credit losses is presented based on the invoice date at the end of the reporting period.

	2020 HK$'000	2019 HK$'000
0 – 30 days	**24,556**	52,347
31 – 90 days	**6,231**	–
	30,787	52,347

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$6,231,000 (2019: nil) which are past due.

Details of impairment assessment on trade receivables are set out in note 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

17. Other Receivables, Deposits and Prepayments

	2020 HK$'000	2019 HK$'000
Deposits	1,089	2,166
Other receivables	199	–
Prepayments	598	463
Total	1,886	2,629

Details of the impairment assessment are set out in note 32.

18. Contract Assets and Contract Liabilities

	2020 HK$'000	2019 HK$'000
Contract assets	26,577	20,891
Less: Allowance for credit loss	(7,436)	(7,391)
	19,141	13,500
Contract liabilities	(10,892)	(28,760)

As at 1 April 2018, contract assets and contract liabilities amounted to HK$37,873,000 and HK$48,763,000, respectively.

Contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. Contract assets are transferred to trade receivables when the rights become unconditional.

Contract assets that are expected to be settled within the Group's normal operating cycle are classified as current. The Group applies simplified approach to provide for ECL on contract assets prescribed by HKFRS 9. Details are set out in note 32.

All contract liabilities as at 31 March 2019 and 1 April 2018 were recognised as revenue during the year ended 31 March 2020 and 31 March 2019, respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

19. Pledged Bank Deposits/Bank Balances and Cash

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities (including bank borrowings and performance guarantee) granted to the Group, and carry interest at prevailing market rate ranging from 1.37% to 2.54% (2019: 0.30% to 2.35%) per annum.

Bank balances and cash comprise cash held and short-term bank deposits with an original maturity of three months or less, and carry interest at prevailing market rate ranging from 0.001% to 1.6% (2019: 0.13% to 2.63%) per annum.

20. Trade Payables

The credit period granted to the Group on subcontracting of contract work services is 30 to 45 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0 – 30 days	23,666	73,496
31 – 60 days	5,953	41,925
61 – 90 days	–	18
	29,619	115,439

21. Other Payables and Accrued Charges

	2020 HK$'000	2019 HK$'000
Accrued charges	5,693	9,922
Retention payables *(note)*	39,433	57,531
Deposits received from suppliers	49	2,049
Deposits received for rental	238	–
Provision for legal professional fee *(note 8)*	8,240	–
	53,653	69,502

Note: Retention monies payable to sub-contractors of contract work will be released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from one to two years from the date of practical completion of the respective contraction contracts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

22. Lease Liabilities

	2020 HK$'000
Lease liabilities payable:	
Within one year and shown under current liabilities	**1,453**

23. Bank Borrowing

At 31 March 2019, bank borrowing was unsecured, repayable within one year and carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a spread of 3% per annum.

24. Share Capital

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 31 March 2020	800,000,000	8,000

All issued shares rank pari passu in all respects with each other.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

25. Acquisition of a Subsidiary

On 17 January 2020, the Group acquired 100% of the issued share capital of Grandway Inc. Development Limited ("Grandway") for consideration of HK$90,392,000. Grandway mainly held certain properties and was acquired with the objective of the expansion of the Group's business. Such acquisition is considered as an acquisition of assets and liabilities of the acquiree.

Consideration transferred:

	HK$'000
Cash	90,629
Contingent consideration arrangement *(note)*	(237)
	90,392

Note:

Pursuant to the sale and purchase agreement, the seller agreed to assign the outstanding amount due to a former director of Grandway to the Group at the date of completion of the acquisition.

Upon completion of the acquisition, the consideration payable would be subject to upward adjustment if the net asset value (i.e. the amount by which the total assets of Grandway, other than the investment properties, exceeds its total liabilities, other than the amount due to a former director, as at completion of the acquisition) of Grandway is more than nil, or downward adjustment if the net asset value of Grandway is less than nil.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	27,478
Investment properties	63,151
Other receivables, prepayments and deposits	109
Trade and other payables	(346)
	90,392

Net cash outflow on acquisition of Grandway:

	HK$'000
Consideration paid in cash	90,392

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

26. Operating Lease Commitments

The Group as lessee

During the year ended 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	2019 HK$'000
Within one year	1,876
In the second to fifth year inclusive	1,425
	3,301

Operating lease payments represent rentals payable by the Group for its office premises and warehouses. Leases are negotiated and fixed for a term of six months to three years.

At 31 March 2019, included above is operating lease commitments with a related company of HK$1,302,000 and HK$1,248,000 which fall due within one year and in the second to fifth year inclusive, respectively.

The Group as lessor

All of the properties held have committed tenants for approximately 3 months to 2 years after the end of the reporting period.

Minimum lease payments receivable on leases are as follows:

	2020 **HK$'000**
Within one year	**1,077**
In the second year	**193**
	1,270

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

27. 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 consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$'000	Interest payable HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2018	–	–	–	–	–
Financing cash flows	(30,000)	(122)	5,000	–	(25,122)
Finance costs recognised *(note 7)*	–	242	–	–	242
Dividends declared	30,000	–	–	–	30,000
At 31 March 2019	–	120	5,000	–	5,120
Adjustment upon application of HKFRS 16	–	–	–	3,088	3,088
At 1 April 2019 (restated)	–	120	5,000	3,088	8,208
Financing cash flows	(28,000)	(701)	(5,000)	(1,758)	(35,459)
Finance costs recognised *(note 7)*	–	581	–	123	704
Dividends declared	28,000	–	–	–	28,000
At 31 March 2020	–	–	–	1,453	1,453

28. Contingent Liabilities

At 31 March 2020, performance guarantee of approximately HK$10,949,000 (2019: HK$7,423,000) are given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers for construction work. The Group has contingent liabilities to indemnify the banks or insurance company for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee are secured by the project proceeds and will be released upon completion of the contract work.

The directors of the Company do not consider it is probable that a claim will be made against the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

29. Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

	2020 HK$'000	2019 HK$'000
Subcontractor cost to Nova Techoy	22,390	–
Management fee income from Nova Techoy	758	–
Operating lease rentals to Popstate Limited	–	1,302
Interest expense on lease liabilities to Popstate Limited	101	–

Note: Popstate Limited is wholly-owned by Mr. Lam Kin Wing Eddie.

Upon application of HKFRS 16, the Group has recognised a right-of-use assets and lease liabilities of HK$2,467,000 and HK$2,467,000 regarding the lease entered with Popstate Limited as at 1 April 2019. As at 31 March 2020, the Group has lease liabilities due to Popstate Limited of HK$1,266,000.

Compensation of key management personnel

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

	2020 HK$'000	2019 HK$'000
Short-term benefits	14,045	19,378
Post-employment benefits	144	144
	14,189	19,522

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

30. Retirement Benefits Schemes

The MPF Schemes is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Schemes, the employer and its employees are each required to make contributions to the MPF Schemes at rates specified in the rules. The only obligation of the Group with respect to the MPF Schemes is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Schemes was available to the Group for reducing the contribution payable in the year ended 31 March 2020, nor will it be available in future years. The Group follows the minimum contribution requirement of 5% of eligible employee' relevant aggregate income with a cap of HK$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Schemes charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The Group's contributions to the retirement benefits schemes charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,748,000 (2019:HK$3,280,000).

31. Capital Risk Management

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

The capital structure of the Group consists of debt, which includes bank borrowing as disclosed in note 23, and equity of the Group, comprising issued share capital and reserves.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issue of new shares, raise of new borrowings or repayment of existing borrowing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

32. Financial Instruments

(a) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Amortised cost	**99,646**	334,664
Financial liabilities		
Amortised cost	**73,620**	188,229

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, amount due from a joint venture, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges and bank borrowing. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has limited currency exposure as both the sales and direct costs are denominated in the functional currency of the respective group entity. Accordingly, the directors of the Company considers that the Group's exposure to foreign currency risk is minimal.

Interest rate risk

The Group's cash flow interest rate risk primarily relates to the pledged banks deposits and bank balances (note 19) as at 31 March 2020 and 2019 and variable-rate bank borrowing (note 23) as at 31 March 2019.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of the directors of the Company, the expected change in interest rate will not have significant impact on interest income or expense on bank balances or bank borrowing, hence sensitivity analysis is not presented.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

32. Financial Instruments (Continued)

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

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the financial assets whose carrying amounts best represent the maximum exposure to credit risk.

The Group's customers are mainly government departments/organisation and thus credit risk is considered to be low. Except for the customers of government departments/organisation, management of the Group adopted a policy on providing credit to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to the potential customers and credit search, would be conducted. The level of credit granted must not exceed a predetermined level set by the management of the Group and approvals for exceeding credit limits must be documented in writing. Credit evaluation is performed on a regular basis. There is a team of staff designated for collection of receivables.

The Group has concentration of credit risks with exposure limited to certain customers. Three customer (2019: one customers) amounting to approximately HK$25,641,000 (2019: HK$51,177,000) and HK$8,129,000 (2019: HK$9,849,000) constitute approximately 83% (2019: 98%) of the Group's trade receivables and 79% (2019: 85%) of the Group's retention receivables, respectively, as at 31 March 2020. Management of the Group closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables and deposits and amounts due from joint ventures, the directors of the Company make individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information, to ensure that adequate provisions for impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is low because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies, and the Group has limited exposure to any single financial institution.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

32. Financial Instruments (Continued)

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and other item which are subject to ECL assessment:

	Notes	External credit rating	12-month or lifetime ECL	**2020 Gross carrying amount HK$'000**	2019 Gross carrying amount HK$'000
Financial assets at amortised cost					
Trade receivables	*16*	N/A	Lifetime ECL (not credit-impaired and assessed individually)	30,920	52,347
		N/A	Lifetime ECL (credit-impaired and assessed individually)	5,236	5,236
Other receivables and deposits	*17*	N/A	12-month ECL (not credit-impaired and assessed individually)	1,329	2,166
		N/A	Lifetime ECL (credit-impaired and assessed individually)	3,599	3,599
Amount due from a joint venture	*15*	N/A	12-month ECL (note credit-impaired and assessed individually)	7,353	–
Pledged bank deposits	*19*	Baa3 – A1	12-month ECL (not credit-impaired and assessed individually)	6,039	6,146
Bank balances and cash	*19*	Ba2 – Aa2	12-month ECL (not credit-impaired and assessed individually)	54,872	274,005
Other item					
Contract assets	*18*	N/A	Lifetime ECL (not credit-impaired and assessed individually)	19,186	13,500
			Lifetime ECL (credit-impaired and assessed individually)	7,391	7,391

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

32. Financial Instruments (Continued)

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

Credit risk and impairment assessment (Continued)

Impairment assessment on trade receivables and contract assets

The expected credit losses on trade receivables and contract assets are estimated by reference to past due status of the individual debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, future economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

An estimated loss rate is applied to each group of internal credit rating. The loss rates are estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort.

The directors of the Company consider that the ECL on not credit-impaired trade receivables and contract assets is insignificant as at 31 March 2019.

Trade receivables, other receivables and deposits, and contract assets which are credit-impaired with gross carrying amounts of HK$5,236,000, HK$3,599,000 and HK$7,391,000 (2019: HK$5,236,000, HK$3,599,000 and HK$7,391,000, respectively), respectively, are assessed individually. An aggregate impairment allowance HK$16,404,000 (2019: HK$16,226,000) has been made as at 31 March 2020.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables, other receivables and deposits and contract assets.

	Trade receivables		Other receivables and deposits		Contract assets		
	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2018	574	–	226	–	1,029	–	1,829
Change due to financial instruments recognised as at 1 April 2018:							
– Transfer to credit-impaired	(329)	329	(226)	226	(565)	565	–
– Impairment loss reversed	(245)	–	–	–	(464)	–	(709)
New financial assets originated	–	4,907	–	3,373	–	6,826	15,106
At 31 March 2019	–	5,236	–	3,599	–	7,391	16,226
New financial assets originated	133	–	–	–	45	–	178
At 31 March 2020	133	5,236	–	3,599	45	7,391	16,404

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

32. Financial Instruments (Continued)

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

Credit risk and impairment assessment (Continued)

The following tables show reconciliation of loss allowances that has been recognised for amount due from a joint venture:

	12-month ECL (not credit-impaired) HK$'000
At 1 April 2019	–
New financial asset originated	693
At 31 March 2020	693

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 of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowing with a repayment on demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise the rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

32. Financial Instruments (Continued)

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

Liquidity risk (Continued)

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2020					
Trade payables	N/A	–	29,619	29,619	29,619
Other payables and accrued charges	N/A	–	44,001	44,001	44,001
Lease liabilities	5.25	–	1,492	1,492	1,453
		–	75,112	75,112	75,073
At 31 March 2019					
Trade payables	N/A	–	115,439	115,439	115,439
Other payables and accrued charges	N/A	–	67,790	67,790	67,790
Bank borrowing	*Note*	5,000	–	5,000	5,000
		5,000	183,229	188,229	188,229

Note: Variable-rate bank borrowings carry interest at HIBOR plus a spread. The prevailing market rate at the end of the reporting period is used in the maturity analysis.

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period.

(c) Fair value of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

33. Statement of Financial Position of The Company

	2020 HK$'000	2019 HK$'000
Non-current asset		
Investment in a subsidiary	**53,023**	53,023
Current assets		
Amount due from a subsidiary	**–**	44
Bank balances	**5**	7
	5	51
Current liability		
Amount due to a subsidiary	**2,278**	1,062
Net current liabilities	**(2,273)**	(1,011)
	50,750	52,012
Capital and reserves		
Share capital	**8,000**	8,000
Reserves	**42,750**	44,012
	50,750	52,012

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

33. Statement of Financial Position of The Company (Continued)

	Share premium HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2018	42,490	2,583	45,073
Profit and total comprehensive income for the year	–	28,939	28,939
Dividends paid	–	(30,000)	(30,000)
At 31 March 2019	42,490	1,522	44,012
Profit and total comprehensive income for the year	–	26,738	26,738
Dividends paid	–	(28,000)	(28,000)
At 31 March 2020	42,490	260	42,750

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ principal place of business	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company 2020 %	2019 %	Principal activity
Direct subsidiary					
Techoy Holding Limited	BVI/Hong Kong	US$1	**100**	100	Investment holding
Techoy Modular Construction Co., Ltd	BVI/Hong Kong	US$1	**100**	100	Investment holding
Techoy Ventures Holding Limited	BVI/Hong Kong	US$1	**100**	–	Investment holding
Indirect subsidiary					
Techoy Construction Company Limited	Hong Kong/ Hong Kong	HK$20,000,000	**100**	100	Property construction in Hong Kong
Thelloy Construction Company Limited	Hong Kong/ Hong Kong	HK$2	**100**	100	Interior decoration
Grandway Inc. Development Limited	Hong Kong/ Hong Kong	HK$1	**100**	–	Property investment
Thelloy Assets Holding Limited	BVI/Hong Kong	US$1	**100**	–	Investment holding
Trunk Room Holding Limited	BVI/Hong Kong	US$1	**100**	–	Investment holding
One Puffin Limited	BVI/Hong Kong	US$1	**100**	–	Investment holding

None of the subsidiaries has issued any debt securities at the end of the reporting period.

35. EVENTS AFTER THE REPORTING PERIOD

Since early 2020, in response to outbreak of COVID-19 (the "Outbreak"), the Group has implemented precautionary measures and hygiene measures to prevent and control the Outbreak and safeguard the occupational health and safety of its employees.

In addition, some of the Group's projects have been delayed due to temporary suspension of certain projects by customers or suspension of production and delivery from some material suppliers. Hence, the Group's financial performance and financial position has inevitably been affected. The management of the Group will continuously monitor the situation of COVID-19 and will take appropriate measures when necessary.

Financial Summary

Results

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**536,606**	835,175	911,517	468,363	160,673
Profit for the year attributable to owners of the Company	**12,756**	37,508	61,218	24,967	2,860

Assets and Liabilities

	At 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**218,969**	357,297	403,217	228,003	132,299
Total liabilities	**(95,617)**	(218,701)	(259,300)	(129,304)	(58,567)
Total equity	**123,352**	138,596	143,917	98,699	73,732