Century Group International Holdings Limited

世紀集團國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2113

Annual Report

2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Wang Feng *(Chairman)*
Mr. Ip Wai Sing

Independent Non-executive Directors
Mr. Law Ka Ming Michael
Mr. Tang Chi Wai
Mr. Chung Man Lai

AUDIT COMMITTEE

Mr. Tang Chi Wai *(Chairman)*
Mr. Law Ka Ming Michael
Mr. Chung Man Lai

NOMINATION COMMITTEE

Mr. Chung Man Lai *(Chairman)*
Mr. Law Ka Ming Michael
Mr. Tang Chi Wai

REMUNERATION COMMITTEE

Mr. Law Ka Ming Michael *(Chairman)*
Mr. Chung Man Lai
Mr. Tang Chi Wai

COMPANY SECRETARY

Mr. Lo Wing Sang

AUTHORISED REPRESENTATIVES

Mr. Ip Wai Sing
Mr. Lo Wing Sang

PLACE OF BUSINESS IN CHINA

Century Group Building,
Xushu Village,
Gucheng Jiedao,
Linhai, Taizhou, Zhejiang Province,
PRC

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office D, 16/F
Kings Wing Plaza 1
No. 3 On Kwan Street
Shek Mun
New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKS

Shanghai Commercial Bank Ltd.

AUDITOR

Clement C.W. Chan & Co
3rd & 5th Floors, Heng Shan Center,
145 Queen's Road East, Wan Chai, Hong Kong

COMPANY'S WEBSITE

www.cherishholdings.com

STOCK CODE

2113

FINANCIAL HIGHLIGHTS

	Year ended March 31				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**251,760**	142,852	192,341	266,167	210,046
Cost of sales	**(243,868)**	(217,318)	(168,894)	(216,346)	(167,546)
Gross profit	**7,892**	(74,466)	23,447	49,821	42,500
Other income and net gains	**1,421**	478	1,062	419	515
Administrative expenses	**(18,239)**	(14,167)	(13,252)	(22,739)	(8,041)
Finance costs	**(1,042)**	(661)	(326)	(356)	(375)
(Loss) Profit before taxation	**(9,968)**	(88,816)	10,931	27,145	34,599
Taxation	**1,823**	1,924	(2,217)	(7,399)	(6,175)
(Loss) Profit and total comprehensive (expense) income for the year	**(8,145)**	(86,892)	8,714	19,746	28,424

	As at March 31				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Plant and equipment	**12,820**	25,493	51,166	29,958	21,910
Equity instruments at fair value through other comprehensive income	**–**	–*	–	–	–
Deposits paid for purchase of plant and equipment	**–**	–	–	1,177	–
Right-of-use assets	**471**	–	–	–	–
Goodwill on acquisition of a company	**2**	–	–	–	–
Restricted bank balances	**–**	15,293	7,627	–	–
	13,293	40,786	58,793	31,135	21,910
Current assets					
Inventories	**28**	–	–	–	–
Amount due from customers for contract work	**–**	–	75,974	43,184	19,822
Trade and other receivables	**7,450**	16,850	37,937	24,346	32,687
Contract assets	**56,475**	43,523	–	–	–
Tax recoverable	**–**	–	4,334	–	–
Amounts due from directors	**–**	–	–	–	93
Restricted bank balances	**15,455**	–	–	2,571	–
Bank balances	**27,579**	12,997	31,089	98,165	52,220
	106,987	73,370	149,334	168,266	104,822
Current liabilities					
Amounts due to customers for contract work	**–**	–	–	2,583	29,508
Trade and other payables	**40,517**	32,481	29,859	25,516	31,796
Amounts due to a director	**–**	350	–	–	–
Unsecured bank borrowings	**–**	–	–	–	248
Lease liabilities	**442**	–	4,361	5,170	3,391
Tax payable	**–**	–	–	2,061	10,777
	40,959	32,831	34,220	35,330	75,720
Net current assets	**66,028**	40,539	115,114	132,936	29,102
Total assets less current liabilities	**79,321**	81,325	173,907	164,071	51,012
Non-current liabilities					
Lease liabilities	**38**	–	3,766	5,101	3,547
Deferred tax liability	**1,659**	3,485	5,409	2,952	2,263
	1,697	3,485	9,175	8,053	5,810
Net assets	**77,624**	77,840	164,732	156,018	45,202
Capital and reserves					
Share capital	**8,048**	7,678	7,678	7,678	–
Reserves	**69,576**	70,162	157,054	148,340	45,202
Equity attributable to owners of the Company	**77,624**	77,840	164,732	156,018	45,202
Non-controlling interests	**–***	–	–	–	–
Total equity	**77,624**	77,840	164,732	156,018	45,202

* Less than HK$1,000

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Century Group International Holdings Limited (the "Company"), it gives me great pleasure to present you the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020 (the "Reporting Period").

Financial Review

With more than 18 years of experience as a subcontractor providing site formation works in Hong Kong, the Group always maintains its professional technical standards to undertake site formations works such as general earthworks, tunnel excavation works, foundation works, as well as road and drainage works. It is expected that our group would be aligned with the optimistic development of the industry.

In view of fluctuating performance of the construction business and potential business opportunities in the PRC, the Group established its headquarter in the PRC and started trading of Liquefied Natural Gas ("LNG") business in the PRC near the end of the current year.

For the Reporting Period, the revenue was HK$251.8 million, an increase by approximately HK$108.9 million or 76.2% as compared to the last year (2019: HK$142.9 million). Out of it, there is about HK$0.3 million related to trading of LNG business in PRC in the year. The remaining increase in revenue of HK$108.6 million is mainly due to more Hong Kong projects on hands completed and in progress during the year.

Hong Kong projects

For the Reporting Period, the Group was awarded five projects with total contract sum of approximately HK$146.6 million whereas in contrast the Group was awarded four projects with total contract sum of approximately HK$98.1 million in last year.

Apart from the substantial increase in the project revenue, the Group recorded a turnaround improvement in gross profit margin related to the Hong Kong projects during the year. For the Reporting Period, the gross profit and gross profit margin was HK$7.9 million and 3.13%, a significant improvement from the last year (2019: gross loss of HK$74.5 million; gross loss ratio of 52.13%). It was due to the increase in projects with higher profit margin as compared with that in 2019, lesser projects with unexpected increase in project costs due to delay in work progress and the Group has significantly decreased its involvement in variation orders which caused significant gross loss in 2019 from one of our main contractors.

PRC business

In order to diversify the business risk, we decided to start trading of LNG business in China. For the Reporting Period, the revenue for trading of LNG in China was HK$0.3 million.

Prospects

Looking forward to financial year 2020, the Group expects that the operating environment will continue to be full of challenges and competition. Despite there are many opportunities in the construction industry in Hong Kong, competition in the industry is fierce. However, by expanding the capacity of our own machinery and specializing in technical expertise especially in foundation works, the Group will keep on improving the effectiveness and project management skills of our site formation works. We believe that with our outstanding track record in the market, experienced and professional management team, established relationship with the customers and suppliers as well as our commitment to maintaining high safety and working standard, the Group is well-positioned to actively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders.

In addition, we will continue to grow our trading of LNG business in China and explore other business opportunities in China.

Appreciation

Last but not least, I would like to express my sincere gratitude to our valuable shareholders, business partners and customers for their trust and support. And also I would like to extend my heartfelt thanks to our directors, management team and staff for their tireless endeavor and contributions under the fierce market situation, and continue to bring the Group forward to attain better results.

Wang Feng
Chairman of the Board
Hong Kong, 29 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has over 18 years of experience in providing site formation works as a subcontractor in Hong Kong. The site formation works undertaken by the Group generally include (a) general earthworks (including soil and rock excavation, disposal of construction and demolition materials, backfilling and compaction for forming a new site or achieving designed formation level for later development); (b) tunnel excavation works (including rock excavation works for construction of tunnels through drill and break and/or drill and blast methods as well as construction of associated temporary tunnel support structures); (c) foundation works (including excavation and lateral support works (the "ELS") and associated structural works for construction of pile caps for commercial and residential building projects); and (d) road and drainage works. During the year, in order to diversify the business risk, the Group decided to start to explore business opportunities in China. The Group has started the trading of liquefied natural gas ("LNG") in China in March 2020. For the Reporting Period, the revenue for trading of LNG in China was HK$0.3 million.

As at 31 March 2020, there were seven (2019: five) projects on hand with total contract sum amounting to approximately HK$493.9 million (2019: HK$408.2 million). Most of the projects were short term and smaller in size. For the Reporting Period, there were three projects of total contract sum amounting to approximately HK$60.9 million, completed and contributed a turnover of HK$61.1 million to the Group.

During the Reporting Period, the Group was awarded five projects of (2019: four) relating to site formation, road and drainage works and marine works project in Island District with total contract sum of approximately HK$146.6 million (2019: HK$98.1 million). Two of the five projects were already completed in the year contributing a turnover of HK$51.1 million. The remaining three projects with total contract sum of approximately HK$96.3 million and out of which approximately HK$7.6 million was recognised as revenue during the Reporting Period. As at 31 March 2020, seven projects with total contract sum of HK$493.9 million were in progress and HK$357.7 million has been recognised as revenue up to 31 March 2020.

Below set out a list of projects completed during the Reporting Period and those projects which are still in progress at 31 March 2020:

Site Location	Type of Work	Status	Contract Sum (HK$'Million)
Islands District	Airport road diversion and reinstatement of footpath	In progress	13.6
Islands District	Removal of rock material	Completed	10.6
Islands District	Earthworks, excavation and lateral support works (the "ELS") and breaking off pile heads	In progress	13.6
Kwun Tong District	Site formation works	In progress	310.0
Southern District	Site formation, ELS and slope stabilisation works	In progress	60.4
Islands District	Drainage and duck works*	In progress	2.3
Shatin District	Site clearance, demolition work and earthwork*	In progress	32.6
Islands District	Road and drainage works*	In progress	61.4
Islands District	Marine works*	Completed	25.8
Islands District	Marine works*	Completed	24.5

* Newly awarded in the period under review

PROSPECTS

2020 will be full of opportunities and challenges. For Hong Kong business, the planned commitment in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. Whilst factors including but not limited to difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers and other unforeseen problems or circumstances that may occur during project implementation continue to be threats that likely affect the Group's profit as a subcontractor. For China business, the Group continues to expand the trading of LNG business and explore other business opportunities.

Looking forward, the Group will continue to run Hong Kong and China business. The Group will continue to develop business of undertaking site formation works in Hong Kong and at the same time the Group will carefully evaluate each project and control the Group's overall costs to a reasonable level. Further, the Group will try to increase the volume of China business as mentioned above and the Group will actively seek any other potential business opportunities in Hong Kong and China that will broaden the sources of income and enhance value to the shareholders.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was amounted to approximately HK$251.8 million (2019: approximately HK$142.9 million), representing an increase of approximately HK$108.9 million or 76.2% from the previous year. The increase was mainly attributable to more projects awarded in the year. Further, the Group had started trading of LNG business in China which contributes a small amount of approximately HK$0.3 million to the Group's revenue.

During the Reporting Period, the revenue of the Group was mainly contributed by 13 projects, whereas revenue of the Group for the year ended 31 March 2019 was contributed by 6 projects. During the year, the Group was awarded five projects with total contract sum of approximately HK$146.6 million whereas in contrast the Group was awarded four projects with total contract sum of approximately HK$98.1 million in the last year.

Gross profit and gross profit margin

For the Reporting Period, the Group's total gross profit was approximately HK$7.9 million, and there is a turnaround from a gross loss of approximately HK$74.5 million for the year ended 31 March 2019. Besides there was an increase in the number of projects as compared with that in 2019, the management executed a tight control on cost, quality of work and the time to completion of projects. Therefore, it leads to lesser projects with unexpected increase in project costs due to delay in work progress and the Group has significantly reduced the involvement in variation orders which caused significant gross loss in 2019 from one of the main contractors.

Administrative expenses

The administrative expenses of the Group for the Reporting Period amounted to approximately HK$18.2 million, representing an increase of approximately 28.2% compared with approximately HK$14.2 million for the year ended 31 March 2019. Such increase was in line with increase in revenue of the year.

Loss and total comprehensive expense for the year

Loss and total comprehensive expense for the year of the Group amounted to approximately HK$8.1 million (2019: HK$86.9 million). The decrease in loss amounted to approximately HK$78.8 million or 90.7% was mainly attributable to increase in profitable projects and tighter control by the management to avoid any delay in work in progress that leads to unexpected costs as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 31 March 2020, the Group had bank balances of approximately HK$27.6 million (2019: approximately HK$13.0 million). The increase was in line with the increase in revenue. The interest-bearing debts of the Group as at 31 March 2020 was nil (2019: nil).

The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratio of the Group as at 31 March 2020 was nil (2019: nil)

PLACEMENT OF SHARES

Reference is made to the announcement of Century Group International Holdings Limited (the "Company") dated 27 September 2019 in relation to the Placing (the "Announcement"). The Company completed a placement of an aggregate of 37,000,000 newly issued Shares ("Placing Shares"), which represent approximately 4.60% of the Company's issued share capital immediately after completion of the Placing. The Placing Shares will be allotted and issued under the General Mandate which was granted to the Directors by the Shareholders at the annual general meeting of the Company held on 6 September 2018 to allot, issue and deal with up to 20% of the then issued Shares. They have been successfully placed to not less than six Placees at the Placing Price of HK$0.222 per Placing Share. The net proceeds from the Placing amounted to approximately HK$7.9 million. As disclosed in the Announcement, the Company intends to use the net proceeds as general working capital for the Group and to finance potential business opportunities to be identified.

PLEDGE OF ASSETS

Certain plant and machinery of the Group with net book value of approximately HK$18.9 million were pledged for a nine months loan of HK$30.0 million at an interest rate of 8.0% per annum as at 31 May 2019. This loan was early repaid in November 2019. As at 31 March 2020, none of the Group's assets were pledged.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. For the Reporting Period, the Group started trading of LNG business in China. The volume of China business is HK$0.3 million or 0.13% to total revenue. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group employed 211 staff (2019: 166 staff). On average, the Group employed 167 staff during the year (2019: 182 staff).Total staff costs including directors' emoluments for the year, amounted to approximately HK$70 million (2019: approximately HK$86.2 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

CAPITAL STRUCTURE

During the Reporting Period, the Company completed a placement of an aggregate of 37,000,000 Placing Shares, which represent approximately 4.60% of the Company's issued share capital immediately after completion of the Placing. The Placing Shares will be allotted and issued under the General Mandate which was granted to the Directors by the Shareholders at the annual general meeting of the Company held on 6 September 2018 to allot, issue and deal with up to 20% of the then issued Shares. They have been successfully placed to not less than six Placees at the Placing Price of HK$0.222 per Placing Share. The net proceeds from the Placing amounted to approximately HK$7.9 million. As disclosed in the Announcement, the Company intends to use the net proceeds as general working capital for the Group and to finance potential business opportunities to be identified.

As at 31 March 2020, the Company's issued share capital was HK$8.0 million (2019: HK$7.7 million).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not hold any significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

SEGMENTAL INFORMATION

An analysis of the performance of the Group for the year by business segments is set out in note 7 to the consolidated financial statements of this report.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any capital commitments (31 March 2019: Nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities (31 March 2019: Nil).

SIGNIFICANT EVENT

Change of Controlling Shareholder

China Century Holdings Limited ("China Century"), a controlling shareholder of the Company, has disposed 225,330,000 shares in the Company ("Shares"), 201,185,000 Shares and 134,020,000 Shares on 16 December 2019, on 20 December 2019 and on 24 December 2019 respectively. The first tranche of disposed Shares, representing 28% of the total issued share capital of the Company as at that date of the announcement (the "Disposal"), was disposed D' Legem Group Limited. ("D' Legem"). The second and third tranches as mentioned above were made on Exchange at average price of HK$0.435. After all these disposals, D' Legem becomes the only substantial shareholder of the Company. To the best of the directors' knowledge, information and belief having made all reasonable enquiries, D' Legem and its ultimate beneficial owners are independent of, and not connected with the Company or any of its connected persons.

Change of Directors

(1) On 10 September 2019,

a) Mr. Zhang Chengzhou and Mr. Cao Jun did not offer themselves for re-election as executive Directors at the AGM due to their other business commitment and retired from office as executive Directors with effect from the conclusion of the AGM.

b) Mr. Cao Qian has been re-designated from a non-executive Director to an executive Director with effect from the conclusion of annual general meeting of the Company ("AGM") held on that date.

(2) With effect from 23 December 2019,

Change of executive directors:

a) Mr. Cao Qian ("Mr. Cao") has resigned from his position as the executive Director;

b) Mr. Ip Wai Sing ("Mr. Ip") has been appointed as an executive Director;

Change of independent non-executive Directors and compositions of Board committees:

c) Mr. Lee Chi Ming ("Mr. Lee") has resigned from his position as the independent non-executive Director, and has ceased to act as the member of audit committee of the Company ("Audit Committee"), member of remuneration committee of the Company ("Remuneration Committee"), and chairman of nomination committee of the Company ("Nomination Committee");

d) Mr. Chung Man Lai ("Mr. Chung") has been appointed as an independent non-executive Director, and he has been appointed as the member of Audit Committee, member of Remuneration Committee, and chairman of Nomination Committee.

(3) With effect from 9 January 2020,

a) Mr. Li Xiang Zhong ("Mr. Li") has ceased to act as the chairman of the Board ("Chairman") but remains as an executive Director and chief executive officer of the Company;

b) Mr. Wang Feng ("Mr. Wang") has been appointed as an executive Director and the Chairman;

(4) With effect from 17 January 2020, Mr. Li Xiang Zhong ("Mr. Li") has resigned from his position as an executive Director and the chief executive officer of the Company (the "CEO");

(5) With effect from 14 May 2020,

Change of independent non-executive Directors and compositions of Board committees:

a) Mr. Cheung Wai Lun Jacky ("Mr. Cheung") has resigned from his position as the independent non-executive Director, and has ceased to act as the member of Audit Committee, member of Nomination Committee, and chairman of Remuneration Committee;

b) Mr. Law Ka Ming Michael("Mr. Law") has been appointed as an independent non-executive Director, and he has been appointed as the member of Audit Committee, member of Nomination Committee, and chairman of Remuneration Committee.

Change of Company Secretary and authorized representative

With effect from 1 October 2019, Ms. Lee Ka Man ("Ms. Lee") resigned as the company secretary of the Company (the "Company Secretary") and ceased to act as an authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and an authorized representative of the Company for accepting service of process or notices in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (collectively, the "Authorized Representative"). Following the resignation of Ms Lee, Mr. Lo Wing Sang ("Mr. Lo") was appointed as the Company Secretary and Authorized Representative in place of Ms. Lee.

Mr. Lo is not an employee of the Group and Mr. Ip Wai Sing, the executive Director, is the person whom Mr. Lo can contact for the purpose of code provision F.1.1 of the Code.

During the Reporting Period, Mr. Lo has undertaken not less than 15 hours of relevant professional training in accordance with the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Feng ("**Mr. Wang**"), aged 42, has over 21 years' working experiences and he obtained a bachelor's degree in law from Xiamen University in June 1998. Prior joining to the Group, Mr. Wang has worked in various sectors including the corporate finance, management and information technology related sectors. Mr. Wang is currently the director of POLY-GCL Petroleum (Linhai) Limited Company*（保利協鑫石油天然氣（臨海）有限公司）. Mr. Wang has also been the sole director and a shareholder of D' Legem Group Limited（杰豹集團有限公司）("D' Legem Group"), a substantial shareholder of the Company.

Mr. Ip Wai Sing ("**Mr. Ip**"), aged 52, has over 25 years of experience in corporate finance, management and accounting. Prior to joining the Group, he worked in reputable international accounting firm for over 10 years. He is currently the chief executive officer of D' Legem Group Limited（杰豹集團有限公司）("D' Legem Group"). He is responsible for corporate development, strategic planning and accounts and financial activities of D' Legem Group. Before joining the D' Legem Group, he worked as the chief financial officer and company secretary of Sau San Tong Holdings Ltd. (stock code: 8200)（修身堂控股有限公司）and Ping Shan Tea Group Limited（坪山茶業集團有限公司）(presently known as Blockchain Group Company Limited)（區塊鏈集團有限公司）(stock code: 364). Mr. Ip graduated with a bachelor's degree from The Australian National University in April 1993 and with a master's degree from The Chinese University of Hong Kong, in November 2001. He is a member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Law Ka Ming Michael ("**Mr. Law**"), aged 59, was appointed as independent non-executive Director of the Company on 14 May 2020. He is also the Chairman of the remuneration committee and members of audit committee and nomination committee of the Company. He is a Chartered Quantity Surveyor of the Royal Institution of Chartered Surveyors. He holds a Master's Degree in Business Administration from the Chinese University of Hong Kong. Mr. Law has more than thirty years' experience in construction and property development. In the past, he took up some key management positions with major Hong Kong property developers and has held corporate management role in logistic facilities development companies. He acted as a Vice President in K11 Concepts Limited from 2017 to 2019. He acted as a Project Director in Kerry Properties China Limited from 2012 to 2017.

Mr. TANG Chi Wai ("**Mr. Tang**"), aged 46, was appointed as independent non-executive Director of the Company on 20 September 2016. He is also the Chairman of audit committee and members of nomination committee and remuneration committee of the Company. Mr. Tang has over 20 years of experience in auditing and accounting. Mr. Tang has been serving as a financial controller, company secretary and authorised representative of Universal Technologies Holdings Limited (stock code: 1026) since June 2008. Mr. Tang has been an independent non-executive director of Xin Point Holdings Limited (stock code: 1571) since June 2017, Noble Engineering Group Holdings Limited (stock code: 8445) since September 2017 and ISP Global Limited (stock code: 8487) since December 2017.

Mr. Tang was appointed as the honorary president of North Kwai Chung District Scout Council of Scout Association of Hong Kong in June 2019.

Mr. Tang is a practising Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Certified Internal Auditor of the Institute of Internal Auditors and a holder of the Practitioner's Endorsement from the Hong Kong Institute of Chartered Secretaries. Mr. Tang has also obtained various professional qualifications and memberships including a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators, and a member of the Chinese Institute of Certified Public Accountants.

Mr. Chung Man Lai ("**Mr. Chung**"), aged 43, was appointed as an independent non-executive Director, and the member of Audit Committee, member of Remuneration Committee, and chairman of Nomination Committee. with effect from 23 December 2019. He has over 20 years of experience in auditing and accounting. Prior to joining of the Group, he worked in a reputable international accounting firm and was the chief financial officers of CMIC Ocean En-Tech Holding Co., Ltd. (formerly known as TSC Group Holdings Limited (Stock code: 206))（華商國際海洋能源科技控股有限公司）and IDT International Limited (Stock code: 167)（萬威國際有限公司）, both are companies listed on the Main Board of The Stock Exchange. He is currently a non-executive director of Greatwalle Inc. (the shares of which are listed on the GEM of the Stock Exchange, Stock code: 8315), and an independent non-executive director of Roma Group Limited (the shares of which are listed on GEM of the Stock Exchange, Stock code: 8072) and Aurum Pacific (China) Group Limited (the shares of which are listed on GEM of the Stock Exchange, Stock code: 8148) respectively. Mr. Chung obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in November 1998 and a master of business administration degree with a major in international business from EU Business School in December 2018. Mr. Chung is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Note: The above executive directors are the senior management of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Century Group International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recognise the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the board of directors of the Company (the "Board") is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors of the Company (the "Director(s)"), the Company has complied with all code provisions as set out in the CG Code during the Reporting Period and, where appropriate, the applicable recommended best practices of the CG Code, except for that there is no separation between the roles of the Chairman and the Chief Executive Officer. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company that they have complied with the required standard set out in the Model Code during the Reporting Period. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the chairman of the Board (the "Chairman") in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

BOARD OF DIRECTORS

Composition of the Board

Up to the date of this annual report, the Board consists of five Directors, which comprises two executive Directors and three independent non-executive Directors. The composition of the Board during the period and up to the date of this annual report was as follows:

Executive Directors:
Mr. Wang Feng *(Chairman) (appointed on 9 January 2020)*
Mr. Ip Wai Sing *(appointed on 23 December 2019)*
Mr. Cao Qian *(resigned on 23 December 2019)*
Mr. Li Xiang Zhong *(resigned on 17 January 2020)*
Mr. Zhang Chengzhou *(retired in AGM held on 10 September 2019)*
Mr. Cao Jun *(retired in AGM held on 10 September 2019)*

Independent Non-executive Directors:
Mr. Cheung Wai Lun Jacky *(resigned on 14 May 2020)*
Mr. Lee Chi Ming *(resigned on 23 December 2019)*
Mr. Tang Chi Wai
Mr. Chung Man Lai *(appointed on 23 December 2019)*
Mr. Law Ka Ming Michael *(appointed on 14 May 2020)*

The biographies of the Directors are set out in "Biographical Details of Directors and Senior Management" on pages 12 to 13 of this annual report.

The Directors have given sufficient time and attention to the Group's affairs. The Directors have disclosed to the Company annually the number and the nature of offices held in public companies or organisations and other significant commitments. The Board believes that the balance between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient balances that protect the interests of the shareholders and the Group.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the overall management of the Group, which includes controlling resources allocation of the Company and leading the Company to strive for success. It oversees the Group's businesses, strategic decisions, internal control, risk management and performances. The management team is delegated with the authority and responsibility by the Board for the daily management of the Group. The delegated functions and work tasks are periodically reviewed. Major corporate matters that are specifically delegated by the Board to the management include (1) the preparation of interim and annual reports and announcements for the Board's approval before publishing; (2) implementation of adequate systems of internal controls and risk management procedures; and (3) compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Directors with various professional qualifications experience and related financial management expertise have contributed to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders. Hence, the Board believes that the current Board composition satisfy with the corporate governance requirements of the Group with regard to the balance of expertise, skills and experience as well as the ongoing development and management of its business activities.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's interim and annual results. During the Reporting Period, 21 Board meetings were held and the attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. All Directors are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Pursuant to articles of association of the Company, all Directors appointed to fill a causal vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. At each annual general meeting, 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.

Save for the family relationships disclosed in the Biographical Details of Directors and Senior Management, if any, set out on pages 12 to 13 of this annual report, the Directors do not have any material financial, business or other relationships with one another.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The executive Directors, Messrs. Wang and Ip, have entered into service contracts with the Company for a term of three years and two years respectively. Either party has the right to give not less than three months' written notice to terminate the respective service contract.

Each of the independent non-executive Directors has been entered into a service contract with the Company for a term of three years. Messrs. Chung and Law, and Mr. Tang have the right to give not less than three months' and six months' written notice to terminate their own service contracts respectively.

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by the shareholders at the first general meeting after their appointment. By virtue of article 83 of the articles of association of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision in A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 84(1) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

By virtue of article 83(3) of the articles of association of the Company, Messrs. Wang, Ip, Chung and Law being the Directors appointed during the year, shall hold office only until the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

By virtue of articles 84(1) and 84(2) of the articles of association of the Company, Mr. Tang Chi Wai will retire by rotation at the forthcoming annual general meeting and will, being eligible, offer himself for re-election at the forthcoming annual general meeting.

CHAIRMAN AND CEO

The Chairman is Mr. Wang Feng. With effect from 17 January 2020, Mr. Li resigned from his position as an executive Director and CEO. The Board is still looking for any suitable candidates to fill in the vacancy of CEO. Upon the period of change in senior management of the Company, the role of CEO keeps vacant and the duties will be born by both our executive directors, Messrs. Wang and Ip. It breaches with the principles and the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to Code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Notwithstanding the deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer by the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which currently consists of two executive directors and three independent non-executive directors, the interest of the shareholders of the Company will be adequately and fairly represented.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The board consists of two executive directors and three independent non-executive directors who have professional qualification, experience and expertise in accounting, finance or quantity surveying field. The names and biographical details of each director are set out in "Biographical Details of Directors and Senior Management" on pages 12 to 13 of this annual report. The Company has received confirmation of independence from all three Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules.

The Board has reviewed the independence of all Independent Non-Executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired up to the date of this report.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. During the Reporting Period, the Company provided training on duties and responsibilities of directors. The Company has also provided reading materials to all Directors to develop and refresh their professional knowledge.

During the Reporting Period and up to the date of this annual report, all Directors have participated in continuous professional training to develop and refresh their knowledge and skills in relation to their contribution to the Board.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Policy") in April 2016 which sets out the basis to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

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

The Board will consider setting measureable objectives to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

As at the date of this report, the Board comprises five Directors, amongst them, three are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, regardless in terms of age, professional experience, skills and knowledge.

The nomination committee will review the policy from time to time to ensure its continued effectiveness.

NOMINATION POLICY

The Company has also adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedure of appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate includes, inter alia, such candidate's academic background and professional qualifications, relevant experience in the industry, character and integrity etc. The procedure of appointing and re-appointing a Director is summarized as follows:

1. The nomination committee of the Company (the "Nomination Committee") reviews the structure, size and composition (including the skills, knowledge and experience) of the Board periodically and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy;

2. When it is necessary to fill a casual vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates as recommended to the Nomination Committee, with or without assistance from external agencies or the Company, pursuant to the criteria set out in the Nomination Policy;

3. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

4. The Nomination Committee makes recommendation to the Board including the terms and conditions of the appointment;

5. The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee;

6. In accordance with the Company's articles of association, every director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election at each annual general meeting;

7. The Nomination Committee shall review the overall contribution and service to the Company of the retiring director. The Nomination Committee shall also review the expertise and professional qualifications of the retiring director, who offered himself/herself for re-election at the annual general meeting, to determine whether such director continues to meet the criteria as set out in the Nomination Policy;

8. Based on the review made by Nomination Committee, the Board shall make recommendation to shareholders on candidates standing for re-election at the annual general meeting of the Company, and provide the available biographical information of the retiring director in accordance with the Listing Rules to enable shareholders to make the informed decision on the re-election of such candidates at annual general meeting of the Company; and

9. The shareholders of the Company may propose a person for election as a director in accordance with the articles of association of the Company and applicable law.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") which does not have any pre-determined dividend payout ratio. In considering dividend payment, the Board will take into account factors such as the Group's expected financial performance, business conditions and strategies, expected working capital requirements and future expansions, business cycles and other internal or external factors that may affect the Company's business or financial performance and financial position, return and interest of the shareholders and other factors which the Board considers to be relevant. The Board will review the Dividend Policy from time to time and the Dividend Policy does not constitute any commitment or obligation of the Company to declare dividends.

AUDIT COMMITTEE

An Audit Committee has been established by the Board with specific written terms of reference. Pursuant to the Audit Committee's terms of reference, the Audit Committee is authorised to commit Company funds in order to obtain advice from outside legal counsel, accountants, investigatory services or other expert advice. Details of the authority and responsibilities of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Tang Chi Wai, Mr. Law Ka Ming Michael and Mr. Chung Man Lai. Mr. Tang Chi Wai is the chairman of the Audit Committee.

During the Reporting Period, two Audit Committee Meetings were held. The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this report.

During the meetings, the Audit Committee reviewed and considered the Group accounts for the year ended 31 March 2019; the internal control report and the Group's unaudited consolidated accounts for the six months ended 30 September 2019. The external auditor was invited to attend 2020 annual result meeting and 2020 audit planning meeting. During the meetings, the external auditor discussed various accounting issues and finding with Audit Committee and the audit strategy and plan for 2020 Group results.

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Board with specific written terms of reference and all of the members of the Remuneration Committee are Independent Non-Executive Directors. Details of the authority and responsibilities of the Remuneration Committee are available on the websites of the Company and The Stock Exchange.

The Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Law Ka Ming Michael, Mr. Tang Chi Wai and Mr. Chung Man Lai. Mr. Law Ka Ming Michael is the chairman of the Remuneration Committee.

During the Reporting Period, six Remuneration Committee meetings were held to review and discuss the remuneration policy of the Company, renew the appointment letters of independent non-executive Directors and the employment contracts of executive Directors. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this report.

REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

The remuneration of executive Directors and the member of the senior management by band for the year ended 31 March 2020 is set out below:

Number of Personnel	Remuneration (HK$)
1	Nil to 500,000
0	500,001 to 1,000,000
2	1,000,001 to 1,500,000

Further particulars regarding directors' remuneration as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 12 to the consolidated financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the Remuneration Committee and be determined at the discretion of the Board. The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group. The Group has adopted incentive bonus schemes and continues to maintain these schemes, seeking to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high caliber.

NOMINATION COMMITTEE

A Nomination Committee has been established by the Board with specific terms of reference. The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re-appointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and responsibilities of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises three Independent Non-Executive Directors, namely Mr. Chung Man Lai, Mr. Law Ka Ming Michael and Mr. Tang Chi Wai. Mr. Chung Man Lai is the chairman of the Nomination Committee.

During the Reporting Period, five Nomination Committee meetings were held to review the structure, size, composition and diversity of the Board, assessing the independence of independent non-executive directors and other related matters of the Company.

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee during the Reporting Period are set out below:

	Attendance/Number of Meetings Held				
Name of Director	**Board Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Wang Feng *(appointed on 9 January 2020)*	4/21	–	–	–	–
Mr. Ip Wai Sing *(appointed on 23 December 2019)*	5/21	–	–	–	–
Mr. Li Xiang Zhong *(resigned on 17 January 2020)*	11/21	–	–	–	1/1
Mr. Cao Qian *(resigned on 23 December 2019)*	10/21	–	–	–	1/1
Mr. Zhang Chengzhou *(retired on 10 September 2019)*	1/21	–	–	–	0/1
Mr. Cao Jun *(retired on 10 September 2019)*	1/21	–	–	–	0/1
Independent Non-Executive Directors					
Mr. Cheung Wai Lun Jacky *(resigned on 14 May 2020)*	16/21	2/2	6/6	5/5	1/1
Mr. Lee Chi Ming *(resigned on 23 December 2019)*	12/21	2/2	4/6	3/5	1/1
Mr. Tang Chi Wai	18/21	2/2	6/6	5/5	1/1
Mr. Chung Man Lai *(appointed on 23 December 2019)*	4/21	0/2	1/6	1/5	–
Mr. Law Ka Ming Michael *(appointed on 14 May 2020)*	0/21	0/2	0/6	0/5	–

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board, which include (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) review and monitor the training and continuous professional development of directors and senior management of the Company and its subsidiaries; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company and its subsidiaries; (e) review the Company's compliance with the CG Code and disclosures in the corporate governance report of the Company required to be prepared pursuant to the Listing Rules; and (f) consider, review and decide any other topics, as authorised by the Board.

During the Reporting Period, the Board reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of its corporate governance policy.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the Group's and the Company's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are being selected and applied consistently.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 34 to 38 of this report.

AUDITOR'S REMUNERATION

During the period under review, the remuneration paid/payable to current and former external auditors is set out as follows:

Services rendered	Fee paid/payable HK$'000
Shinewing (HK) CPA Limited (former external auditor)	
Non-audit services	
– Agreed-upon procedures on the interim financial information for the six months ended 30 September 2019	76.5
– Filing on Hong Kong Profits Tax	6.4
Clement C.W. Chan & Co. (Current external auditor)	
Audit services	500
Total	582.9

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for ensuring that the Group has appropriate and effective risk management and internal control systems in order to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems of the Group at least annually. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers all material controls, including financial, operational and compliance controls and risks management. Such annual review also considers the adequacy of resources, staff's qualifications and experience and training programmes and budget of the Company's accounting and financial reporting function. The Company has not established an internal audit function and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint an external internal control advisor ("IC advisor") to perform the internal audit function for the Group.

During the year ended 31 March 2020, the management has conducted regular review on the effectiveness of the risk management and internal control systems covering material controls in area of financial and compliance controls and various functions for risks management. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's risk management and internal control systems covering material controls, including financial, operational and compliance controls and risk management for the year ended 31 March 2020. The Audit Committee is satisfied that the risk management and internal control systems maintained by the Group is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained.

Risk management Framework

1. Each business unit is responsible for identifying, assessing and managing risks within its scope of operation, ensuring that appropriate internal controls for effective risk management are implemented – principal risks are identified and assessed in the yearly business planning process with action plans to manage those risks;

2. The management is responsible for overseeing the risk management and internal control activities of the Group – regular meetings with each business unit to ensure principals risk are properly managed, and new or changing risks are identified; and

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal controls – consideration of the recommendations of the IC advisor and the Audit Committee.

Such risk management framework, coupled with our internal controls, ensures that the risks associated with our different business units are effectively controlled in line with the Group's risk appetite.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure the maintenance of proper accounting records, to ensure compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The management is responsible for the design, implementation and maintenance of internal controls, while the Audit Committee and the Board review the effectiveness of the Group's systems of internal controls and risk management through the assistance of the IC advisor.

The Audit Committee also had regular meetings with the external auditor and reviewed the reports by the external auditor of any control issues or findings identified in the course of their work. The Audit Committee has also requested the management to follow up the recommendations of the external auditor to remedy the control issues identified or to further improve the internal control system.

During the year ended 31 March 2020, the Company has engaged an IC advisor to review its internal control procedures and make recommendations to the Board any improvements that can be made to the existing internal control procedures. The review covers the effectiveness of material controls on financial and operational aspects as well as risk management functions across the Group. The Board formed its own view on the effectiveness of the systems based on the recommendation of the IC advisor and the Audit Committee. The Board is satisfied that the internal control and risk management systems in place covering material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of issuance of the annual report is reasonably effective and adequate.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

The handling and dissemination of inside information of the Group is strictly controlled and remains confidential including but not limited by the following ways:

1. Restrict access to inside information to a limited number of employees on a need-to-know basis;

2. Reminder to employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;

3. Ensure appropriate confidentiality agreements are in place when the Group enters into significant negotiations or dealings with third party;

4. Inside information is handled and communicated by designated persons to outside third party; and

5. The board and the senior management review the safety measures regularly to ensure inside information is properly handled and disseminated.

COMPANY SECRETARY

Ms. LEE Ka Man ("Ms. Lee") of Fair Wind Secretarial Services Limited resigned as the Company Secretary of the Company on 1 October 2019, and Mr. Lo Wing Sang ("Mr. Lo") of Lo Wing Sang, Certified Public Accountant, was appointed by the Broad to fill in the casual vacancy on the same day. Mr. Lo is an associate member of both the Institute of Chartered Secretaries and Administrations in the United Kingdom and The Hong Kong Institute of Company Secretaries.

Mr. Lo is not an employee of our Group, and Mr. Ip Wai Sing, the executive Director, is the person whom Mr. Lo can contact for the purpose of code provision F.1.1 of the Code.

During the Reporting Period, Mr. Lo has undertaken not less than 15 hours of relevant professional training in accordance with the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear and detailed information of the Group to its shareholders in a timely manner and on a regular basis, through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The general meetings of the Company provide a forum for communication between the Board and the Company's shareholders. The Chairman of the Board and other members of the respective committees are available to answer questions of the shareholders at the general meeting. The Company recognises the importance of maintaining on-going communications with the shareholders and encourages them to attend general meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

At the annual general meeting held on 10 September 2019, separate resolutions were proposed by the chairman in respect of each separate issue, including re-election of directors, re-election of auditor etc., and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. All the Directors, including the respective chairman of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee had attended the annual general meeting held in 2019 to ensure effective communication with the shareholders.

The Company maintain a website at http://www.cherishholdings.com where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by the public investors.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and to put forward proposal at general meetings

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

Article 85 of the articles of association of the Company provides that no person other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51B(1) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Shareholders' enquires and Proposals

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or call its customer service hotline at (852) 2980 1333.

Shareholders may also make enquiries to the Board at the annual general meetings of the Company.

INVESTOR RELATIONS

The public are welcomed to give their comments and make enquiries through the Company's website and by means of emails to the investor relations department (email address: info@cherishholdings.com). The management always provides prompt responses to any such enquiries.

CONSTITUTIONAL DOCUMENTS

The Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. During the Reporting Period, no amendments were made to the constitutional documents of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in provision of site formation works. There were no significant changes in the nature of the principal activities of the Group during the year.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement, Management Discussion and Analysis and Report of Directors sections on pages 4 to 33 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 6 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 6 to 11 of this annual report. In addition, discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out below.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it engages. The Group strives to minimise its impact on the environment by reducing its use of electricity and water and encouraging recycle of office supplies and other materials. The Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment.

Environmental, social and governance report will be published to respective websites of the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") in the manner as required by Appendix 27 of the Listing Rules in due course.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the Reporting Period.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this report. No dividend was paid or proposed by the Company during the year, nor has any dividend been proposed by the Directors since the end of the year.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 September 2020 to Thursday, 10 September 2020, both days inclusive, during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 3 September 2020.

REPORT OF DIRECTORS

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the Reporting Period (2019: HK$Nil).

KEY RISKS AND UNCERTAINTIES

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

The amount of revenue derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

The aggregate amount of revenue derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including additions, reductions and/or other changes in the scope of the works) placed by customers from time to time during the course of project execution. As such, there is no assurance that revenue from projects on hand will not be substantially lower than the original contract sum as specified in the relevant contracts and hence, the Group's profitability will be adversely affected.

Keen competition

Due to slowdown of Hong Kong economy, the competition of construction industry has become more intense as there will be a foreseeable reduction of number of construction projects available for our tendering. To increase the chance of success in winning the tender bidding, the Group will lower its profit margin, which will affect its profit for the coming year.

Error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred

Construction contracts and in particular public projects are normally awarded through a competitive tendering process. The Group determines a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by the Group contain no mistake and error. Such mistakes and errors may be in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. In case of contracts awarded to the Group with mistakes or errors in the submitted tender, the Group may be bound by the contract to undertake the project at a substantial loss.

Inaccurate estimation on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when the Group actually executes the awarded project. Many factors affect the time taken and the costs actually involved in completing construction projects undertaken by the Group. Examples of such factors include shortage and cost escalation of labour and materials, difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers, stringent technical construction requirements, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents, and changes in the Government's policies. Other unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises and remains unresolved, completion of construction works may be delayed or the Group may be subject to cost overruns or our customers may even be entitled to terminate the contract unilaterally.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Company and the Group during the Reporting Period are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in note 29 to the consolidated financial statements.

CHARITABLE DONATIONS

The charitable and other donations made by the Group during the Reporting Period amounted to HK$13,000 (2019: HK$1,000).

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity.

As at 31 March 2020, the Company has reserves available of HK$69.58 million (2019: HK$70.2 million).

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Wang Feng *(Chairman)*	(appointed on 9 January 2020)
Mr. Ip Wai Sing	(appointed on 23 December 2019)
Mr. Li Xiang Zhong	(resigned on 17 January 2020)
Mr. Cao Qian	(resigned on 23 December 2019)
Mr. Zhang Chengzhou	(retired on 10 September 2019)
Mr. Cao Jun	(retired on 10 September 2019)

Independent Non-executive Directors

Mr. Cheung Wai Lun Jacky	(resigned on 14 May 2020)
Mr. Lee Chi Ming	(resigned on 23 December 2019)
Mr. Tang Chi Wai	
Mr. Chung Man La	(appointed on 23 December 2019)
Mr. Law Ka Ming Michael	(appointed on 14 May 2020)

By virtue of article 83(3) of the articles of association of the Company, each of Messrs. Wang, Ip, Chung and Law, the Directors appointed during the year, shall hold office only until the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

By virtue of articles 84(1) and 84(2) of the articles of association of the Company, Mr. Tang will retire by rotation at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding Directors' emoluments is set out in note 12 to the consolidated financial statements of this report.

An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the independent non-executive director and the Company considers all the independent non-executive Directors to be independent.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

All the executive Directors, Messrs. Wang and Ip, have entered into service contracts with the Company for an initial fixed term of three years and two years commencing from 9 January 2020 and 23 December 2019 respectively, unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years, Messrs. Chung and Law, and Mr. Tang, may be terminated by either party by giving the other party at least three months' and six months' written notice respectively.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY OF DIRECTORS

The Company's articles and association provides that the directors shall be entitled to 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 incurred or sustained by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

DIRECTORS' INTERESTS IN CONTRACTS

No transactions, arrangements and contracts of significance in relation to our Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTEREST

No contracts of significance were entered into between the Company or any of its subsidiaries and any Controlling Shareholders or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any Controlling Shareholders or any of its subsidiaries.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group are set out in note 12 and 13 to the consolidated financial statements in this report.

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the Share Option Scheme.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 33 to the consolidated financial statements.

COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the Reporting Period and up to the date of this report.

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

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

Interests in Share of the Company

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Wang Feng (Note 2)	Interest of a controlled corporation	225,330,000 (L) (Note 1)	28%

Notes:

1. The letter "L" demonstrates long position in such securities.
2. The shares are held by D' Legem Group Limited. Mr. Wang Feng beneficially owns 2% of the issued shares of D' Legem Group Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or would be, directly or indirectly, be interested in 5% or more of the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature	Number of Shares held/interested	Percentage of interest
D' Legem Group Limited	Beneficial owner	225,330,000 (L) (Note)	28%

Note:

The letter "L" demonstrates long position in such securities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance, to which the Company any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted at the end of 31 March 2018 or at any time during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 53.3% and 71.9% respectively of the Group's total purchases for the year. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 42.8% and 99.9% respectively of the Group's total revenue for the year.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

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

No purchase, sale or redemption of the Company's listed securities was made during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme (the "Share Option Scheme") as set out below, no equity-linked agreements were entered into by our Group, or existed during the Reporting Period.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 20 September 2016.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors believe the Share Option Scheme will enable the Group to reward our employees, the Directors and other selected participants for their contributions to the Group.

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares:

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and

(ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to the participant's contribution to the development and growth of the Group.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the aggregate of the shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 74,000,000 Shares, representing 9.2% of the issued Shares as at the date of this report.

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

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The exercise price is determined by the directors of the Company, and will be at least the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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 until 19 September 2026.

No share option of the Company was granted since the adoption of the Share Option Scheme.

REPORT OF DIRECTORS

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 14 to 24 of this report.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the Reporting Period.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules. Details of significant related party transactions undertaken in the usual course of business are set out in note 31 to the consolidated financial statement. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

AUDITORS

SHINEWING (HK) CPA Limited ("SHINEWING") resigned as the auditors of the Group on due to disagreement to reach the audit fee. The audit committee proposed Clement C.W. Chan & Co. ("Clement") to fill the casual vacancy of the auditors of the Group, which is approved by the Board of Directors.

The consolidated financial statements for the Reporting Period have been audited by the Clement. Clement shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it engages. The Group strives to minimise its impact on the environment by reducing its use of electricity and water and encouraging recycle of office supplies and other materials. The Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the Reporting Period.

On behalf of the Board
Century Group International Holdings Limited

Wang Feng
Chairman
29 June 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CENTURY GROUP INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Century Group International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 88, which comprise the consolidated statements 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 the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the 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.

Key audit matter	How our audit addressed the key audit matter
Recognition of contract revenue and contract assets for construction contracts	
We identified the recognition of contract revenue and contract assets for construction contracts as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole and there are significant judgements exercised by the management of the Group in determining the progress towards complete satisfaction of the performance obligation and the amount of contract revenue recognised. As disclosed in note 7 and note 22 to the consolidated financial statements, the construction contracts revenue and contract assets amounted to HK$251,438,000 for the year ended 31 March 2020 and HK$56,475,000 as 31 March 2020 respectively. As set out in note 4 to the consolidated financial statements, the Group recognised contract revenue by reference to the progress of satisfying the performance obligation at the reporting date.	Our procedures in relation to contract revenue and contract assets for construction contracts included: • Understanding the design and testing the implementation of key internal controls over the revenue recognition of construction contract on a sample basis; • Discussing with the project managers and the management of the Group to understand the status of the projects, identifying any variations, provision on loss making contracts and obtaining explanations for fluctuations in margins as to their reasonableness; • Checking the total contract value and terms to agree to the underlying construction contracts entered into with the customers and other relevant correspondences and supporting documents in respect of variation orders; and • Checking the revenue recognised, on a sample basis, the certificates issued by the independent quantity surveyors, before and subsequent to year end date and other relevant correspondences and supporting documents in respect of variation orders to evaluate the reasonableness of the revenue recognised.

Key audit matter	How our audit addressed the key audit matter
Estimated provision of expected credit losses ("ECL") for trade receivables and contract assets	

We identified the estimated provision of ECL for trade receivables and contract assets as a key audit matter due to their significance to the consolidated financial statements as a whole and judgement and estimates made by the management in determining the allowance for credit losses and write-offs.
 	
As shown in note 21 and 22 to the consolidated financial statements, as at 31 March 2020, the carrying amounts of trade receivables and contract assets are HK$4,368,000 and HK$56,475,000 (net of allowance for credit losses of HK$1,300,000), respectively.
 	
As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets individually. Estimated loss rates are based on actual loss experience over the past three years and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit impaired are assessed for ECL individually.
 	
The loss allowance amount of the credit impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit losses.
 	
As disclosed in note 6 to the consolidated financial statements, a net allowance for credit losses of HK$754,000 in respect of the contract assets was recognised in profit or loss by the Group for the year ended 31 March 2020.
	Our procedures in relation to the assessment as to whether the estimated provision of ECL for trade receivables and contract assets is appropriate included:
	
	• Obtaining an understanding of the process and key controls on how the management estimates the ECL of trade receivables and contract assets;
	
	• Testing the integrity of information used by the management to develop the estimates, by:
	
	    • obtaining from the management the aging and breakdown of trade receivables and contract assets as at 31 March 2017, 2018, 2019 and 2020;
	
	    • on a sample basis, comparing individual items in the aging with the relevant certificates issued by the independent quantity surveyors and other supporting documents and their history of repayment; and
	
	• Challenging the management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 March 2020, including their identification of credit impaired trade receivables and contract assets, the reasonableness of management's basis of estimated loss rates applied in each trade debtor (with reference to historical default rates and forward-looking information).

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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by 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 the 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.

- 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 Chan Chung Wah, Clement.

Clement C.W. Chan & Co.
Certified Public Accountants
CHAN Chung Wah, Clement
Practising Certificate Number: P01187

Hong Kong
29 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	7	**251,760**	142,852
Cost of sales and services		**(243,868)**	(217,318)
Gross profit (loss)		**7,892**	(74,466)
Other income, other gains and losses	8	**1,421**	478
Administrative expenses		**(18,239)**	(14,167)
Finance costs	9	**(1,042)**	(661)
Loss before taxation		**(9,968)**	(88,816)
Income tax credit	10	**1,823**	1,924
Loss for the year	11	**(8,145)**	(86,892)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**–***	–
Total comprehensive expense for the year		**(8,145)**	(86,892)
Loss for the year attributable to:			
Owners of the Company		**(8,145)**	(86,892)
Non-controlling interests		**–***	–
		(8,145)	(86,892)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(8,145)**	(86,892)
Non-controlling interests		**–***	–
		(8,145)	(86,892)
Loss per share (HK cents)			
– Basic and diluted	15	**(1)**	(11.3)

* Less than HK$1,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Plant and equipment	16	12,820	25,493
Right-of-use assets	17	471	–
Goodwill	18	2	–
Equity instruments at fair value through other comprehensive income	19	–	–*
Restricted bank balances	23	–	15,293
		13,293	40,786
Current assets			
Inventories	20	28	–
Trade and other receivables, deposits and prepayments	21	7,450	16,850
Contract assets	22	56,475	43,523
Restricted bank balances	23	15,455	–
Bank balances and cash	24	27,579	12,997
		106,987	73,370
Current liabilities			
Trade and other payables	25	40,517	32,481
Amount due to a director	26	–	350
Lease liabilities	27	442	–
		40,959	32,831
Net current assets		66,028	40,539
Total assets less current liabilities		79,321	81,325
Non-current liabilities			
Lease liabilities	27	38	–
Deferred tax liability	28	1,659	3,485
		1,697	3,485
Net assets		77,624	77,840
Capital and reserves			
Share capital	29	8,048	7,678
Reserves		69,576	70,162
Equity attributable to owners of the Company		77,624	77,840
Non-controlling interests		–*	–
Total equity		77,624	77,840

* Less than HK$1,000

The consolidated financial statements on pages 39 to 88 were approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

Wang Feng	**Ip Wai Sing**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000 (note a)	Merger reserve HK$'000 (note b)	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018	7,678	102,392	–*	–	54,662	164,732	–	164,732
Loss and total comprehensive expense for the year	–	–	–	–	(86,892)	(86,892)	–	(89,892)
At 31 March 2019 and 1 April 2019	7,678	102,392	–*	–	(32,230)	77,840	–	77,840
Exchange differences arising on translation of foreign operations	–	–	–	–*	–	–*	–	–*
Loss for the year	–	–	–	–	(8,145)	(8,145)	–*	(8,145)
Total comprehensive expense for the year	–	–	–	–*	(8,145)	(8,145)	–*	(8,145)
Issus of new shares (note 29)	370	7,844	–	–	–	8,214	–	8,214
Transaction costs attributable to issue of new shares	–	(285)	–	–	–	(285)	–	(285)
At 31 March 2020	**8,048**	**109,951**	**–***	**–***	**(40,375)**	**77,624**	**–***	**77,624**

* Less than HK$1,000.

Notes:

a. Under the Company Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as they full due in the ordinary course of business.

b. Merger reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(9,968)	(88,816)
Adjustments for:		
Bank interest income	(166)	(110)
Finance costs	1,042	661
Impairment losses for contract assets	754	546
Impairment losses for plant and equipment	–	1,233
Gain on disposals of subsidiaries	(71)	–
Amounts due from former directors written off	351	–
(Gain) loss on disposals of plant and equipment	(696)	518
Depreciation of plant and equipment	12,818	19,052
Depreciation of right-of-use assets	428	–
Operating cash flows before movements in working capital	4,492	(66,916)
Decrease (increase) in trade and other receivables	10,003	(687)
(Increase) decrease in contract assets	(13,706)	53,679
Increase in restricted bank balances for operating use	(162)	(7,666)
Increase (decrease) in trade and other payables	19,018	(9,378)
Cash from (used in) operations	19,645	(30,968)
Income tax refunded	–	4,334
NET CASH FROM (USED IN) OPERATING ACTIVITIES	19,645	(26,634)
INVESTING ACTIVITIES		
Net cash inflow on acquisition of a subsidiary	20	–
Proceeds on disposals of plant and equipment	783	8,590
Interest received	166	110
Purchases of plant and equipment	(150)	(3,720)
NET CASH FROM INVESTING ACTIVITIES	819	4,980
FINANCING ACTIVITIES		
Advance from former directors (grouped under trade and other payables)	3,000	12,000
New bank and other borrowings raised	30,000	9,000
(Repayment of) advance from a director	(350)	350
Repayment of bank and other borrowings	(30,000)	(9,000)
Repayment of advance from former directors (grouped under trade and other payables)	(15,000)	–
Repayments of lease liabilities/obligations under finance leases	(448)	(8,127)
Interest paid	(1,013)	(661)
Proceeds from issue of shares	8,214	–
Expenses on issue of shares	(285)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(5,882)	3,562
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,582	(18,092)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,997	31,089
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	27,579	12,997

1. GENERAL AND BASIS OF PREPARATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). On 16 December 2019, the Company's former immediate holding company, China Century Holdings Limited ("China Century"), a company incorporated in the British Virgin Islands, has disposed of 225,330,000 shares of the Company, representing 28% of the total issued share capital of the Company to D' Legem Group Limited ("D' Legem"), a company with limited liability incorporated in Hong Kong. On 20 December 2019 and 24 December 2019, China Century further disposed of on the Stock Exchange 201,185,000 and 134,020,000 shares of the Company, respectively. Immediately after these transactions, D' Legem becomes the immediate and ultimate shareholder of the Company. Its ultimate controlling party is Mr. Chow Hon.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the address of the principal place of business of the Company is Office D, 16/F., Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, N.T., Hong Kong.

The Company is an investment holding company and its subsidiaries are engaged in provision of construction and site formation services and trading of liquefied natural gas.

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

Basis of preparation of consolidated financial statements

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had bank balances and cash of HK$27.6 million and trade and other payables of HK$40.5 million as at 31 March 2020, and the Group incurred a net loss of HK$8.1 million for the year ended 31 March 2020 (2019: HK$86.9 million).

In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations including future operating cash flows and financial support provided by its ultimate controlling party and ultimate holding company. The directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due for at least the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

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

2.1 HKFRS 16 Leases

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

Definition of a lease

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

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

As a 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 accumulative losses 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 a lease-by-lease basis, to the extent relevant to the respective lease contracts:

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

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

2.1 HKFRS 16 Leases (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The weighted average incremental borrowing rate applied is 5.12%.

	HK$'000
Operating lease commitments disclosed as at 31 March 2019 (note 30)	42
Lease liabilities discounted at relevant incremental borrowing rates	42
Less: Recognition exemption – low value assets	(12)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	30
Analysed as	
Current	30

New and Amendments to HKFRSs that have been issued but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments 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.

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

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 June 2020.

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

Except as described 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.

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

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

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

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

The New Framework:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for 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 are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Company: (i) has the power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) 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 stated above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries 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 subsidiaries.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit, the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit retained.

Separate Financial Statements

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Cost includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 customers.

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates or enhances an asset that the customer controls as the asset is created and enhanced; 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 goods or services.

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 *Financial instrument* (“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.

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

Output method

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

Construction contracts

When the outcome of a construction contract can be reasonably measured, revenue from the construction contract is recognised over time. Revenue from construction contracts is recognised over time when the Group creates or enhances an asset that the customer controls as the asset is created or enhanced using output method. When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with an onerous contract. An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Variable consideration

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

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

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2.1)

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.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.1)

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability has to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Refundable rental deposits paid 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 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. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

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 are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates prevailing at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and are translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising therefrom are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition or 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.

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

Retirement benefits cost

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefits schemes are recognised as expenses after employees have rendered service that entitles them to the contributions.

Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid as and when employees rendered related service.

A liability is recognised for benefits accruing to employees in respect of wages and salaries after deducting any amount already paid.

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 "loss before taxation" because of income or expense that are taxable or deductible in other years and items that are never taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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 difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred taxes are recognised in profit or loss.

Plant and equipment

Plant and equipment are tangible assets that are held for use in supply of service and administrative purposes and are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives 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 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 from the disposal or retirement of an item of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of 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.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) 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 the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Financial instruments

Financial assets and financial liabilities are recognised when a 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 trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contract with Customers*. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets are subsequently measured at amortised cost if the following conditions are met:

- 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 are subsequently measured at fair value through other comprehensive income ("FVTOCI") if the following conditions are met:

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

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, restricted bank balances 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 financial assets are assessed individually.

For all other financial 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 increase in the likelihood or risk of a default occurring since initial recognition.

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 since initial recognition:

- 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal and external credit rating of 'investment grade' in accordance with the globally understood definition.

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.

Definition of default

The Group considers an event of default for internal credit risk management purposes 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).

The Group also 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.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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 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 debtor will undergo bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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.

Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all 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 asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENT AND 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 judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Construction contracts revenue recognition

The Group recognises contract revenue over time using an output method. The revenue and profit recognition on construction projects is dependent on estimating the total outcome of the contract, as well as the work done to date which is established by reference to the construction works certified by the customers. Therefore, it involves significant management judgement and estimation in forecasting the costs to complete a contract, valuing contract variations, together with any provisions for expected contract losses, in determining the amount of profit or loss recognised from contracts to date and in each reporting period. Variation orders are included in revenue only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future, by considering the correspondence with customers and historical outcome for similar contracts. Budgeted costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved based on the requests and working schedules agreed with the customers. Because of the nature of the activities undertaken in the construction business, the Group reviews and revises the estimates of contract revenue, contract costs, variation orders to the budget prepared for each construction contract as the contract progresses. The actual outcome of the contracts in terms of its total revenue earned and costs incurred may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised from contracts to date and in each reporting period.

Provision of ECL for receivables and contract assets

Trade receivables and contract assets are assessed for ECL individually. The Group uses judgement in making assumptions and selection of inputs to the impairment assessment. Provision rates are determined based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss. As at 31 March 2020, the carrying amounts of trade receivables and contract assets were approximately HK$4,368,000 and HK$56,475,000, net of allowance for accumulated credit losses of approximately HK$1,300,000, respectively. There was no impairment loss for trade receivables recognised but impairment loss for contract assets of approximately HK$754,000 was recognised for the current year (2019: HK$546,000).

Depreciation of plant and equipment

The Group depreciates plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives reflect the Company's directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment. The management periodically reviews the estimated useful lives of the plant and equipment. Any change in depreciable lives will affect the depreciation charges in each reporting period.

Estimated impairment of plant and equipment

Plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which is estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test. As at 31 March 2020, the carrying amount of plant and equipment was approximately HK$12,820,000 (2019: HK$25,493,000), no impairment loss was recognised for the year ended 31 March 2020 after performing impairment assessment (2019: an impairment loss of approximately HK$1,233,000 was recognised).

5. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and risks associated thereto. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues and the issue and repayment of new debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets at amortised cost	**49,288**	45,110
Equity instruments at FVTOCI	**–**	–*
Financial liabilities at amortised cost	**40,517**	32,831

* Less than HK$1,000.

Financial risk management objectives and policies

The Group's major financial assets and financial liabilities include trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables, amount due to a director and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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 their obligations by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables and contracts assets arising from contracts with customers

Individual credit evaluations are performed on all customers before deciding whether to submit tender proposals on construction contracts. These evaluation focuses including but not limited to the payment history of the customer and its current ability to pay, and take into account information specific to the customer. In order to minimise the credit risk, the management of the Group has delegated a team responsible for performing monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances and contract assets individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced having regard to impairment of HK$754,000 (2018: HK$546,000) is recognised during the year. Details of the quantitative disclosure are set out below in this note.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables and contracts assets arising from contracts with customers (continued)

As at 31 March 2020, the Group has concentration of credit risk as 85% (2019: 34%) of its total trade receivables is due from the Group's fourth largest customer (2019: largest customer) while 100% (2019: 100%) of the total trade receivables is due from the Group's five largest customers. The Group's concentration of credit risk by geographical locations is all in Hong Kong, which accounted for 97% (2019: 100%) of the total trade receivables as at 31 March 2020.

Restricted bank deposits and bank balances

Credit risk on restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings awarded by international credit agencies.

Other receivables

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

The Group's exposure to credit risk

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

Category	Description	Trade receivables/contract assets	Other financial assets
Performing	For counterpart where there has low risk of default and does not have any past-due accounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	For counterpart where there has been a significant increase in credit risk since initial recognition through information developed internally or obtained from external resources but that are not credit-impaired	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised cost						
Bank balances	24	Ba1 to A3	N/A	12m ECL	27,579	12,997
Restricted bank balances	23	Aa3	N/A	12m ECL	15,455	15,293
Trade receivables	21	N/A	Performing (Note)	Lifetime ECL (not credit-impaired)	4,368	12,171
Other receivables	21	N/A	Performing	12m ECL	1,886	4,649
					49,288	45,110
Other item						
Contract assets	22	N/A	Performing (Note)	Lifetime ECL (not credit-impaired)	56,475	43,523
			Default	Credit-impaired	1,300	546
					57,775	44,069

Note:

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually, estimated based on historical credit loss experience and the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

During the year ended 31 March 2020, the Group provided HK$754,000 (2019: HK$546,000) impairment allowance for contract assets.

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

	Lifetime ECL (credit-impaired) HK$'000
As at 1 April 2018	—
— Impairment losses recognised	546
As at 31 March 2019	546
— Impairment losses recognised	754
As at 31 March 2020	1,300

None of the Group's financial assets are secured by collateral or other credit enhancements.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate restricted bank balances (see note 23) and variable-rate bank balances (see note 24). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. It is the Group's policy to keep its deposits at floating rate of interests so as to minimise the fair value interest rate risk. The management of the Group considered that the exposure to cash flow in interest rate risk in relation to bank balances is minimal and no sensitivity analysis is presented accordingly.

Liquidity risk

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

The table includes both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Interest rate	On demand or within 1 year HK$'000	1–2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total contractual cash flow column/ carrying amount HK$'000
At 31 March 2020					
Trade and other payables		36,801	3,716	40,517	40,517
Lease liabilities	5.13%	456	38	494	480
		37,257	3,754	41,011	40,997

	On demand or within one year HK$'000	1–2 years HK$'000	Total contractual cash flow column/ carrying amount HK$'000
At 31 March 2019			
Trade and other payables	31,513	968	32,481
Amount due to a director	350	–	350
	31,863	968	32,831

6. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement

Except as set out below, the fair value of financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors of the Company consider that the fair values of financial assets and financial liabilities as at 31 March 2020 and 2019 recorded at amortised cost in the consolidated financial statements approximate to their corresponding carrying amounts due to short-term maturities.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's equity instruments are measured at fair value at the end of reporting period. The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Financial asset	Fair value as at 2019 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Equity instruments at FVTOCI – Unlisted equity (Note 19)	–*	Level 3	2019: Income approach by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate	2019: Revenue growth rate taking into account management's experience and knowledge of market conditions	2019: The higher the revenue growth rate, the higher the fair value

*   Less than HK$1,000.

Valuation process

The appropriate valuation techniques and inputs for the fair value measurements of financial assets of FVTOCI are determined by the directors of the Company.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the directors of the Company establish the appropriate valuation techniques and inputs to the model. The directors of the Company will review the cause of fluctuations in fair value of the assets annually.

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Sales of goods		
– Sales of liquefied natural gas	322	–
Construction and site formation services		
Disaggregation by major service line		
– Revenue from construction contracts from private sector	523	5,674
– Revenue from construction contracts from public sector	250,915	137,178
	251,760	142,852

Timing of revenue recognition

	Year ended 31/3/2020 HK$'000	Year ended 31/3/2019 HK$'000
Over time	251,438	142,852
At a point in time	322	–
	251,760	142,852

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

The transaction price of construction work allocated to the remaining performance obligations as at 31 March 2020 amounts to approximately HK$175,092,000 (2019: HK$240,125,000). The Directors expect that all the remaining performance obligations will be recognised as revenue in the next one year (2019: two years) from the end of the reporting period.

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information

Information reported to the directors of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is based on the nature of business.

During the year, the Group commenced the business engaging in trading of liquefied natural gas along with the acquisition of a subsidiary, and it is considered as a new operating and reportable segment by the CODM.

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

a. Construction and site formation business – provision of construction and site formation services

b. Trading business – sales of liquefied natural gas

(i) Segment revenues and results

For the year ended 31 March 2020

	Construction and site formation business HK$'000	**Trading Business HK$'000**	**Total HK$'000**
Revenue from external customers	**251,438**	**322**	**251,760**
Segment result	**(1,954)**	**20**	**(1,934)**
Unallocated administrative expenses			**(8,413)**
Finance costs			**(1,042)**
Other income, other gains and losses			**1,421**
Loss before taxation			**(9,968)**

For the year ended 31 March 2019

	Construction business HK$'000	Trading Business HK$'000	Total HK$'000
Revenue from external customers	142,852	–	142,852
Segment result	(84,928)	–	(84,928)
Unallocated administrative expenses			(3,705)
Finance costs			(661)
Other income			478
Loss before taxation			(88,816)

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

(i) Segment revenues and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies as described in Note 3. Segment results represent the profit from each segment without allocation of central administrative expenses, finance costs and other income, other gains and losses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

(ii) Other segment information

All depreciation, interest expenses, impairment losses under ECL, impairment on plant and equipment and gain on disposals of plant and equipment in profit or loss are attributable to the construction and site formation business for both years.

The CODM makes decision according to operating results of each segment. No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of resources allocation and performance assessment.

(iii) Geographical information

The Group earns revenue from external customers in two main geographical areas:

a. The People's Republic of China ("PRC")
b. Hong Kong

Information about the Group's revenue from external customers is presented based on the location of the LNG delivered and the projects carried out, as follows:

	2020 **HK$'000**	2019 HK$'000
The PRC	**322**	–
Hong Kong	**251,438**	142,852
	251,760	142,852

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

(iii) Geographical information (continued)

The following is an analysis of the carrying amount of non-current assets, capital addition in respect of plant and equipment by geographical areas in which the assets are located:

	Non-current assets		Capital addition on plant and equipment	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**81**	–	**–**	–
Hong Kong	**12,739**	25,493	**150**	3,720
	12,820	25,493	**150**	3,720

Note: Non-current assets excluded financial instruments.

(iv) Information about major customers

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

	2020	2019
	HK$'000	HK$'000
Customer A	**107,648**	102,967
Customer B	**51,523**	N/A*
Customer C	**51,130**	N/A*
Customer D	**39,977**	31,667

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

Note: Revenue from Construction business. No customers contribute over 10% of total revenue of the Group under trading business.

8. OTHER INCOME, OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Bank interest income	166	110
Gain on disposals of plant and equipment	696	–
Gain on disposal of investments in subsidiaries	71	–
Refund of contributions from MPF Scheme	332	359
Others	156	9
	1,421	478

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
– unsecured bank overdrafts and unsecured bank borrowing	–	55
– secured loan (note)	1,013	–
– lease liabilities/obligations under finance leases	29	606
	1,042	661

Note: During the year ended 31 March 2020, the Group has raised a secured loan of HK$30,000,000 which has been fully settled before the end of the reporting period.

10. INCOME TAX CREDIT

	2020 HK$'000	2019 HK$'000
Current tax		
– Hong Kong Profits Tax	–	–
– PRC enterprise income tax	3	–
Deferred taxation (note 28)	(1,826)	(1,924)
	(1,823)	(1,924)

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI as there is no income tax imposed in such jurisdictions.

No provision for Hong Kong Profits Tax has been made for both years as the Group has sufficient agreed tax losses brought forward to set off the estimated assessable profits in full for the year and there was no assessable profits for the prior year.

In accordance with the "Notice on implementing Generalised Preferential Tax Treatment for Small Low-profit Enterprises" (Caishui [2019] No. 13), certain of the Group's PRC entities which are qualified as small and thin profit enterprises with an annual taxable income of RMB1 million or less enjoyed a preferential tax rate of 20% or 25% of its taxable income, with the residual 75% exempted.

10. INCOME TAX CREDIT (CONTINUED)

Income tax credit for the year can be reconciled to the amount of loss before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
Loss before taxation	(9,968)	(88,816)
Tax calculated at the domestic income tax rate	(1,644)	(14,655)
Tax effect of expenses not deductible	1,721	429
Tax effect of income not taxable	(154)	(18)
Tax effect of tax losses not recognised	–	12,320
Utilisation of tax losses previously not recognised	(1,743)	–
Effect of tax exemption granted to PRC subsidiary	(3)	–
Income tax credit for the year	(1,823)	(1,924)

11. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs		
– Salaries, wages, allowances and other benefits	64,208	79,530
– Contributions to retirement benefits scheme	2,160	3,021
Total staff costs (excluding directors' and chief executive's emoluments (note 12))	66,368	82,551
Auditor's remuneration	500	820
Cost of inventories recognised as an expense	290	–
Loss on disposals of plant and equipment	–	518
Depreciation of plant and equipment	12,818	19,052
Depreciation of right-of-use assets	428	–
Amounts due from former directors written off	351	–
Impairment losses for contract assets (included in administrative expenses)	754	546
Impairment losses for plant and equipment (included in cost of sales)	–	1,233
Minimum lease payments paid under operating lease in respect of office premises and car parks	N/A	449

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and the chief executive ("CE")'s remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 March 2020

	Fees HK$'000	Salaries, bonus, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors:				
Mr. Li Xiangzhong (note vi)	–	1,500	–	1,500
Mr. Cao Jun (note i and vii)	–	–	–	–
Mr. Zhang Chengzhou (note i and vii)	–	–	–	–
Mr. Cao Qian (note ii and iii)	–	1,500	–	1,500
Mr. Ip Wai Sing (note iv)	–	250	5	255
Mr. Wang Feng (note v and vii)	–	–	–	–
Non-executive director:				
Mr. Cao Qian (note ii)	–	–	–	–
Independent non-executive directors:				
Mr. Cheung Wai Lun Jacky	100	–	–	100
Mr. Lee Chi Ming (note iii)	109	–	–	109
Mr. Tang Chi Wai	100	–	–	100
Mr. Chung Man Lai (note iv)	33	–	–	33
Total	342	3,250	5	3,597

Notes:

(i) Retired on 10 September 2019.

(ii) Re-designated from a non-executive Director to an executive Director on 10 September 2019.

(iii) Resigned on 23 December 2019.

(iv) Appointed on 23 December 2019.

(v) Appointed on 9 January 2020.

(vi) Resigned on 17 January 2020.

(vii) The directors agreed to waive their emoluments for the year ended 31 March 2020.

Certain executive directors of the Company are entitled to discretionary bonus, which are paid during the year.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 March 2019

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors:				
Ms. Choi Chun Chi Sandy (note i)	–	1,066	14	1,080
Mr. Tang Man On (note i)	–	1,066	14	1,080
Mr. Kwok Hoi Chiu ("Mr. Kwok") (note i)	–	1,066	14	1,080
Ms. Wong Chi Yan (note ii)	–	79	1	80
Mr. Zhang Chengzhou (notes iii and v)	–	–	–	–
Mr. Li Xiangzhong (notes iv and v)	–	–	–	–
Mr. Cao Jun (notes iii and v)	–	–	–	–
Non-executive director:				
Mr. Cao Qian (notes iv and v)	–	–	–	–
Independent non-executive directors:				
Mr. Cheung Wai Lun Jacky	100	–	–	100
Mr. Lee Chi Ming	150	–	–	150
Mr. Tang Chi Wai	100	–	–	100
Total	350	3,277	43	3,670

Notes:

(i) Resigned on 28 December 2018.

(ii) Appointed on 13 October 2017 and resigned on 14 June 2018.

(iii) Appointed on 7 December 2018.

(iv) Appointed on 10 December 2018.

(v) The directors agreed to waive their emoluments for the year ended 31 March 2019.

Mr. Li Xiangzhong is appointed on 29 December 2018 and resigned on 17 January 2020 as CE of the Company. His emoluments disclosed above include those for services rendered by him as the CE.

No emoluments were paid by the Group to any directors and CE of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2020 and 2019.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

13. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2019: three) of them were directors, including CE, of the Company, whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2019: two) individuals of the Group were as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and other benefits	**4,652**	1,703
Contributions to retirement benefits scheme	**33**	–
	4,685	1,703

The number of the highest paid employees who are not directors of the Company, whose remuneration were within the following bands

	Number of employees 2020	2019
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$3,000,000	**1**	–

No emoluments were paid by the Group to any five highest paid individuals including directors and CE of the Company as an inducement to join or upon joining the Group during the years ended 31 March 2020 and 2019.

A compensation of HK$2.3 million was paid to a staff, who is one of the above five highest paid individuals, as compensation for loss of office during the year ended 31 March 2020 (2019: Nil).

14. DIVIDENDS

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

15. LOSS PER SHARE

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

	2020 HK$'000	2019 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share for the year attributable to the owners of the Company	**(8,145)**	(86,892)

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**786,654**	767,750

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2020 and 2019.

16. PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST					
At 1 April 2018	78,308	689	17,249	1,313	97,559
Additions	–	–	3,720	–	3,720
Disposals	(17,380)	–	–	–	(17,380)
At 31 March 2019 and 1 April 2019	60,928	689	20,969	1,313	83,899
Additions	150	–	–	–	150
Disposals	(17,382)	(375)	(1,269)	(79)	(19,105)
Acquired on acquisition of a subsidiary (note 34)	82	–	–	–	82
At 31 March 2020	43,778	314	19,700	1,234	65,026
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2018	36,493	614	8,591	695	46,393
Charge for the year	14,388	37	4,009	618	19,052
Impairment loss recognised for the year	1,233	–	–	–	1,233
Eliminated on disposals	(8,272)	–	–	–	(8,272)
At 31 March 2019 and 1 April 2019	43,842	651	12,600	1,313	58,406
Charge for the year	9,047	21	3,750	–	12,818
Eliminated on disposals	(17,345)	(375)	(1,219)	(79)	(19,018)
At 31 March 2020	35,544	297	15,131	1,234	52,206
CARRYING VALUES					
At 31 March 2020	8,234	17	4,569	–	12,820
At 31 March 2019	17,086	38	8,369	–	25,493

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

Plant and machinery	10%–25%
Furniture and fixtures	25%
Motor vehicles	25%
Leasehold improvements	Over the lease term or 25%, whichever is shorter

In view of the operating loss sustained during the years ended 31 March 2020 and 2019, the directors of the Company have performed an impairment assessment on recoverable amount of the Group's plant and equipment as at 31 March 2020 and 2019. The recoverable amount of the plant and equipment is determined based on value-in-use calculation using cash flow projection provided by the management of the Company. The pre-tax discount rate applied in measuring the amount of value-in-use is 9.94% (2019: 9.7%). Based on the result of the assessment, no impairment loss (2019: an impairment loss of approximately HK$1,233,000) had been recognised in respect of the plant and equipment during the year ended 31 March 2020.

17. RIGHT-OF-USE ASSETS

	Leased property (note i) HK$'000
As at 1 April 2019	
Carrying amount	30
As at 31 March 2020	
Carrying amount	471
For the year ended 31 March 2020	
Depreciation charge	428
Expenses relating to short term lease and other lease with lease term end within 12 months of the date of initial application of HKFRS 16	92
Total cash outflow for leases (note ii)	477
Additions to right-of-use assets	869

Note:

(i) The leased property represents office premises.

(ii) Total cash outflow for leases included the repayment of lease liabilities and interest paid.

18. GOODWILL

The cost and carrying value of goodwill were as follows:

	2020 HK$'000
Balance at beginning of the year	–
Arising from acquisition of a subsidiary (note 34)	2
Balance at end of the year	2

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 **HK$'000**	2019 HK$'000
Unlisted equity investments	**–**	–*

* Less than HK$1,000.

The fair value measurement of these investments for the year ended 31 March 2019 is disclosed in note 6.

During the year ended 31 March 2020, the investments were disposed of along with the disposal of subsidiaries.

During the year ended 31 March 2019, the Group acquired 10% equity interest of private entities established in the PRC and Hong Kong which were dormant as at 31 March 2019. The investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate the investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

20. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials and consumables	**28**	–

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 **HK$'000**	2019 HK$'000
Trade receivables from contracts with customers	**4,368**	12,171
Prepayments, deposits and other receivables	**3,082**	4,679
	7,450	16,850

As at 1 April 2018, trade receivables from contracts with customers amounted to approximately HK$15,435,000.

The Group does not hold any collateral over these balances.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group does not have a standardised and universal credit period granted to its customers of construction contracts, and the credit period of individual customer of construction contracts is considered on a case-by-case basis and stipulated in the project contract, as appropriate. In respect of sales of liquefied natural gas, payment is required to be settled by each month end. The following is an aged analysis of trade receivables, presented based on the date of the certified report and invoice date which approximates revenue recognition date at the end of the reporting period:

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**2,150**	12,063
31 to 60 days	**1,708**	108
61 to 365 days	**510**	–
	4,368	12,171

As at 31 December 2019, included in the Group's trade receivables balance is a debtor with aggregate carrying amount of approximately HK$510,000 (2018: Nil) which is past due as at the reporting date. The total past due balances has been past due 90 days or more and is not considered in default based on the fact that amount is fully settled subsequently.

Details of impairment assessment of trade and other receivables are set out in note 6.

22. CONTRACT ASSETS

	As at	As at
	31/3/2020	31/3/2019
	HK$'000	HK$'000
Unbilled revenue of construction contracts	**24,863**	17,335
Retention receivables of construction contracts	**31,612**	26,188
	56,475	43,523

As at 1 April 2018, contract assets amounted to approximately HK$97,748,000.

The Group's construction contracts normally include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to one to two years retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The contract assets also include the Group's rights to consideration for work completed but not yet billed at the year end date. The contract assets are transferred to trade receivables when the rights become unconditional.

The amount of contract assets that is expected to be recovered after more than one year is approximately HK$11,825,000 (2019: HK$17,643,000) all of which related to retentions.

During the year ended 31 March 2020, approximately HK$754,000 (2019: HK$546,000) was recognised as provision for ECL on contract assets (see note 6 for details of impairment).

23. RESTRICTED BANK BALANCES

Restricted bank balances represent cash set aside by the Group in banks designated as surety bonds in favour of a customer for due performance of the Group's obligations under a construction contract which is expected to be completed within one year (2019: after one year but within two years). The balances are therefore classified as current assets (2019: non-current assets). The restricted bank balances are carried at prevailing market rate 1.2% per annum (2019: 0.08% per annum) during the year ended 31 March 2020 and will be released upon completion of the contract.

24. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates of approximately 0.01% per annum (2019: 0.01% per annum) during the year.

25. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	HK$'000
Trade payables	**16,363**	11,530
Retention payables (note)	**4,681**	2,402
Amounts due to ex-directors	**–**	12,000
Accrued expenses and other payables (note i)	**19,473**	6,549
	40,517	32,481

Note: As at 31 March 2020, the amount of the Group's retention payables expected to be due after more than twelve months was approximately HK$3,716,000 (2019: HK$968,000).

Note i: Included HK$6,000 (2019: Nil) tax payable for the year.

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 60 days. In respect of purchases of liquefied natural gas, the credit period is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**7,417**	4,223
31 to 60 days	**4,959**	4,326
61 to 90 days	**676**	2,164
91 to 365 days	**3,311**	817
	16,363	11,530

Amounts due to ex-directors were non-trade nature, unsecured, interest-free and were repaid in full during the year (2019: repayable on demand).

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director was non-trade nature, unsecured, interest-free and was repaid in full during the year (2019: repayable on demand).

27. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	442
Within a period of more than one year but not more than two year	38
	480
Less: amount due for settlement with 12 months shown under current liabilities	(442)
Amount due for settlement after 12 months shown under non-current liabilities	38

28. DEFERRED TAX LIABILITY

Deferred tax liability arising from accelerated tax depreciation recognised by the Group and movements thereon during the current and prior year are as follows:

	HK$'000
At 1 April 2018	5,409
Charged to profit or loss (note 10)	(1,924)
At 31 March 2019 and 1 April 2019	3,485
Charged to profit or loss (note 10)	(1,826)
At 31 March 2020	**1,659**

As at 31 March 2020, a subsidiary of the Group had aggregate unused tax losses of approximately HK$60,835,000 (2019: 71,397,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	**2020**	2019
			HK$'000	HK$'000
Ordinary shares of HK$0.01 each				
Authorised				
At the beginning and at the end of the year	**2,000,000,000**	2,000,000,000	**20,000**	20,000
Issued and fully paid				
At the beginning of the year	**767,750,000**	767,750,000	**7,678**	7,678
Issue of new shares pursuant to the exercise of the General Mandate granted to the directors by the shareholders (note)	**37,000,000**	–	**370**	–
At the end of the year	**804,750,000**	767,750,000	**8,048**	7,678

Note:

On 27 September 2019, pursuant to the exercise of the General Mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 6 September 2018, it was approved to issue 37,000,000 ordinary shares of HK$0.01 each at a price of HK$0.222 per share. Of the total gross proceeds amounting to HK$8,214,000, HK$370,000 representing the par value is credited to the Company's share capital and HK$7,844,000, before the share issue expenses, is credited to the share premium account. The total number of issued shares of the Company was increased to 804,750,000 shares upon completion of the share placing.

30. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2019
	HK$'000
Within one year	42
	42

Operating lease payments represented rentals payable by the Group for its office premises and car parks. Leases were negotiated and rentals were fixed for average terms ranging from 1 year to 2 years.

31. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group entered into transactions with a related party as follows:

Related party	Nature of transaction	2020 HK$'000	2019 HK$'000
Ms. Choi Chun Chi Sandy	Office rental paid (note)	**544**	368

The above transaction was conducted at terms determined on a basis mutually agreed between the Group and the related party. Ms. Choi is a director of a Group's subsidiary.

Note:

The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel

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

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	**9,542**	6,234
Post-employment benefits	**56**	90
	9,598	6,324

The remuneration of the directors of the Company and key executives is determined by the remuneration committee having regard to the performance of the individuals and market trends.

32. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the written resolutions of the shareholders of the Company on 20 September 2016, the Company adopted a share option scheme (the "Scheme") to attract and retain the best available personnel, to provide additional incentive to employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

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

32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

The Scheme will remain in force for a period of ten years commencing on the date, the adoption date (i.e. 20 September 2016) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of the both the current and the last reporting periods. A summary of the principal terms and conditions of the Scheme is set out in Appendix IV to the prospectus of the Company dated 30 September 2016.

33. RETIREMENT BENEFITS PLANS

(a) The PRC

The Group's full-time employees in the PRC are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 20.7% of employees' salaries, which are charged to profit or loss as an expense when the contributions are due.

(b) Hong Kong

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (2019: 5%) of relevant payroll costs to the MPF Scheme, in which the contribution is matched by employees and subject to a cap of HK$1,500 per month.

During the year ended 31 March 2020, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income is approximately HK$2,198,000 (2019: HK$3,064,000).

34. ACQUISITION OF A SUBSIDIARY

Year ended 31 March 2020

On 18 March 2020, the Group entered into share transfer agreement with an independent third party to acquire the entire equity interest in 浙江保鑫能源有限公司 ("Zhejiang Baoxin") at a consideration of approximately RMB80,000 (equivalent to HK$87,000). Zhejiang Baoxin was engaged in sales of liquefied natural gas in the PRC during the period. The acquisition was accounted for using the acquisition method.

The fair value of the identifiable assets and liabilities of Zhejiang Baoxin acquired at its date of acquisition are a follows:

	2020 HK$'000
Plant and equipment	82
Trade and other receivables	954
Inventories	28
Bank balances and cash	20
Trade and other payables	(999)
Total fair value of identifiable net assets acquired	85
Consideration payable to the former owner	(87)
Goodwill recognised	2
Cash consideration paid	–
Bank balances and cash acquired	20
Net cash inflow	20

35. DISPOSAL OF SUBSIDIARIES

On 13 January 2020, the directors of the Company resolved to transfer its entire equity interests in two subsidiaries, China Century Sports Industry Limited and China Century Technology Limited for cash consideration of HK$1 and HK$1, respectively, to its former directors. The net liabilities of these subsidiaries are approximately HK$53,000 and HK$18,000, respectively, on the completion date of the transfer. The disposals resulted in a gain of approximately HK$71,000.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail 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.

	Amounts due to a director HK$'000	Amount due to ex-directors (reported under trade and other payables) HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2018	–	–	8,127	8,127
Financing cash flows	350	12,000	(8,127)	4,223
At 31 March 2019	350	12,000	–	12,350
Adjustment upon application of HKFRS 16 (note 2)	–	–	30	30
At 1 April 2019	350	12,000	30	12,380
Financing cash flows	(350)	(12,000)	(448)	(12,798)
Non-cash item				
New lease entered	–	–	869	869
Interest expense recognised	–	–	29	29
At 31 March 2020	–	–	480	480

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
Non-current asset			
Investments in subsidiaries		47,824	47,824
Current assets			
Amount due from a subsidiary	(a)	29,758	31,366
Bank balances		2,295	21
		32,053	31,387
Current liabilities			
Amount due to a director	26	–	350
Other payables		2,879	1,021
		2,879	1,371
Net current assets		29,174	30,016
Net assets		76,998	77,840
Capital and reserves			
Share capital	29	8,048	7,678
Reserves	(b)	68,950	70,162
Total equity		76,998	77,840

Notes:

(a) The amount is unsecured, interest-free and expected to be recovered within one year from the end of the reporting period. As at 31 March 2020, the carrying amount of amount due from a subsidiary was approximately HK$29,758,000 (2019: HK$31,366,000), net of accumulated impairment loss of approximately HK$55,311,000 (2019: HK$55,311,000).

(b) The movement of reserves is shown as follows:

	Share premium HK$'000	Other reserve HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	102,392	47,823	(20,303)	129,912
Loss and total comprehensive expense for the year	–	–	(59,750)	(59,750)
At 31 March 2019 and 1 April 2019	102,392	47,823	(80,053)	70,162
Issue of new shares (Note 29)	7,844	–	–	7,844
Transaction costs attributable to issue of new shares	(285)	–	–	(285)
Loss and total comprehensive expense for the year	–	–	(8,771)	(8,771)
At 31 March 2020	109,951	47,823	(88,824)	68,950

Note: Other reserve represents the difference between the nominal value of the shares issued for the acquisition of C&H Engineering Company Limited ("C&H") and the contributed net asset value at the date of acquisition.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of company	Place of incorporation/ operation	Issued share capital/ registered capital	Percentage of equity interest/voting power attributable to the Group 2020	2019	Principal activity
Directly held:					
Honestly Luck Limited	The British Virgin Islands ("BVI")	US$1	**100%**	100%	Investment holding
D' Legem Investment Limited	The BVI	US$300,000	**100%**	–	Investment holding
Indirectly held:					
C&H	Hong Kong	HK$10	**100%**	100%	Provision of Construction and site formation works
Century Poli Group Limited	Hong Kong	HK$10,000	**100%**	–	Investment holding
Zhejiang Baoxin	PRC	RMB$10,000,000	**100%**	–	Trading of liquefied natural gas
世紀銳連（臨海）經貿有限公司	PRC	RMB$10,000,000	**51%**	–	Trading of construction materials
世紀銳連（台州）進出口有限公司	PRC	RMB$10,000,000	**51%**	–	Provision of renovation services

None of the subsidiaries had issued any debt securities during both years and at the end of both years.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.