Progressive Path Group Holdings Limited
進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1581

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Wing Hang *(Chairman)*
Mr. Chan Tak Ming

Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

AUDIT COMMITTEE

Mr. Lee Man Tai *(Chairman)*
Mr. Wong Yiu Kit Ernest
Mr. Leung Ka Fai

NOMINATION COMMITTEE

Mr. Leung Ka Fai *(Chairman)*
Mr. Wu Wing Hang
Mr. Wong Yiu Kit Ernest

REMUNERATION COMMITTEE

Mr. Wong Yiu Kit Ernest *(Chairman)*
Mr. Wu Wing Hang
Mr. Lee Man Tai

COMPANY SECRETARY

Ms. Lee Ying Ying

AUTHORISED REPRESENTATIVES

Mr. Wu Wing Hang
Ms. Lee Ying Ying

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1108, 11/F.
Tuen Mun Central Square
No. 22 Hoi Wing Road
Tuen Mun
New Territories
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.ppgh.com.hk

STOCK CODE

1581

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Director") of Progressive Path Group Holdings Limited (the "Company"), it is my pleasure to present to you the 2020 annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020 (the "Year").

For the Year, the Group's revenue increased by approximately 41.0% to approximately HK$312.1 million as compared to approximately HK$221.3 million for the year ended 31 March 2019. The Group's loss attributable to owners of the Company decreased from approximately HK$45.5 million for the year ended 31 March 2019 to loss of approximately HK$15.6 million for the Year. Such significant reduce in loss were mainly due to the combined effect of (i) an substantial increase in revenue in construction machinery rental income as some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system at Chek Lap Kok Airport and Tung Chung New Town Extension, have been started during the Year; (ii) an substantial increase in revenue in construction works for the Year as a result of new projects in Ap Lei Chau Inland Lot and Kai Tak Sports Park, undertaken by the Group and commenced since September 2019; and (iii) an increase in profit margin by enhancement of the fleet of machinery mainly in excavators and dump trucks.

Despite the commencement of social unrest in the second half of 2019 and the outbreak of new coronavirus disease 2019 ("COVID-19") since early 2020, cause deteriorating economic conditions in Hong Kong which have severely affected the construction industry and caused the decrease in the number of projects which are available for tender, the government still keeps up its investment in Hong Kong for sustaining a long term growth. The construction industry in Hong Kong is expected to grow in the coming years after the launch of major projects such as the Three-runway system at Chek Lap Kok Airport, Kai Tak Sports Park, etc. Thus, the Group has invested on upgrading the rental fleet by bringing in brand new and environmentally friendly equipment, which has ensured the continuous provision of high quality, reliable and safe equipment to the construction market and well prepared for the further recovery on the economy.

Looking ahead, the Group will seek to continue to improve its integrated competitiveness and profitability by enhancing the tendering strategy and product and service offerings. The Group has always had our strategies for striving long term success. The Directors will also closely and carefully monitor the latest development in the foundation and site formation industry as well as the construction machinery rental industry in Hong Kong. The Board believes the Group's business strategy and industry expertise could generate and contribute greater value to its shareholders and investors.

On behalf of the Board, I would like to take this opportunity to express my gratitude to the Group's management team and staff members for their continuous dedication and contribution to the Group over the years. I would also offer my heartfelt thanks to the Group's business partners for their support and trust. Last but not least, I convey my appreciation for the support of the shareholders.

Wu Wing Hang
Chairman

Hong Kong, 29 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The worldwide economic environment and the local economy in Hong Kong are full of uncertainties and challenges and have affected the market on the negative side. The commencement of social unrest in the second half of 2019 and the outbreak of COVID-19 since early 2020, causing deteriorating of economic conditions in Hong Kong which causing an negative effect on the recovering construction industry. The Group also has had to adjust our tendering strategies by lowering the bidding prices for new contracts in order to maintain our competitiveness. Nevertheless, the Directors believe that the demand for construction machinery will rebound quickly after social unrest and COVID-19 are under-control. Moreover, the launch of major projects, for examples, Three-runway system at Chek Lap Kok Airport, Kai Tak Sports Park, etc, will be more opportunities in the foundation industry in Hong Kong. Thus, the Group has invested on upgrading the rental fleet by bringing in brand new and environmentally friendly equipment, which has ensured the continuous provision of high quality, reliable and safe equipment to the construction market.

Despite the uncertainties of the global political and economic atmosphere, the Group is confident about the outlook and the prospects of the construction industry in Hong Kong. We believe that the Group is well positioned to capture the growing demand for the foundation and site formation industry as well as the construction machinery rental industry in Hong Kong.

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) construction works; (ii) the provision of construction machinery rental services; and (iii) trading of construction machinery. Our construction machinery rental services represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental services. Our construction works represent the construction projects undertaken by us, the nature of which are broadly classified as foundation and site formation works, and builder's work and general building works.

In order to broaden its revenue base, the Group is developing the provision of aluminum system formwork rental services in Hong Kong. During the Year, the Group has established a subsidiary, namely Full King (International) Aluminum System Formwork Technology Limited ("Full King"), with an independent third party in Hong Kong and subscribed for 51% of the issued shares of Full King at HK$5,100. Up to the date of this report, Full King has not yet commenced any business.

In addition, during first half of the Year, the Group has invested in an associate, Shenzhen Huaxie Smart Operation Management Company Limited* 深圳市華協智慧運營管理有限公司 ("深圳華協"), for the purpose of subletting the aluminum system formwork from the People's Republic of China (the "PRC") to Hong Kong. During the Year, the Group has not contributed any capital to 深圳華協. Due to changing of subletting business environment for aluminum system formwork in the PRC, the Group disposed of all the equity interest in 深圳華協 to an independent third party in the second half of the Year.

The overall performance was greatly improved and rebounded from the bottom due to certain new foundation projects commenced during the Year and the improvement of the construction machinery rental business as a result of the enhancement of the fleet of machinery.

Notwithstanding the above, the outbreak of COVID-19 since early 2020 has paralyzed economic activities worldwide including Hong Kong and inevitable affected the Group's operation in certain extent. In response to the epidemic, the Group has suspended few projects for a short period of time. However, the operations has gradually resumed since March 2020.

* for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

Going forward, we will continue to focus on developing our business by undertaking new construction projects and rental arrangements of construction machinery in Hong Kong.

RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following highlights are the principal risks and uncertainties identified by the Group. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risks

Due to unexpected circumstances such as bad weather and geological issues, the actual time and costs incurred in construction projects may exceed our estimation at the time of tendering submission and the work in progress may be interrupted. As the result, such variances could adversely affect the Group's operations and financial results. In such situations, the Group will implement measures such as re-allocating human resources and recruit additional manpower including subcontracting the works in order to expediate the work progress.

On the other hand, chance of industrial accident is inevitable. In order to minimize the rate of accidents, the Group has recruited a qualified safety officer to regularly monitor the work environment, implementation of safety rules and regulations and establishing safety policies. In addition, the Group also appointed a registered safety auditor to conduct corporate safety audit semi-annually to maximize the effectiveness of safety management.

It is quite common in the construction industry that the settlement of the receivables take relatively a longer period of time by our customers especially at the times of unexpected crises due to political and economic factors. To mitigate the pressure of financial liquidity, the Group prepares aging analysis on a regular basis and communicates with the management level of the customers so as to get better understanding of their solvency status.

Market Risks

Due to the construction industry in Hong Kong is dominantly subject to Government's large-scale infrastructure projects and such projects required pro-longed process of legislative approval, it is more passive toward the future's prospect of the industry. Nevertheless, the Group will not just rely on participating in projects from public sector, we will also be more involved in projects from private sectors.

In the meantime, demand of residential and commercial buildings is growing continuously. We perceived that such demand will sustain the booming in the construction industry and attract more competitive entrants to the industry. In order to grip holding of our market shares, we have acquired new fleets of machineries during the year to cope with the demand. With our in-depth experience and knowledge in the field, we are capable to continue providing one-stop construction machinery service to meet the needs of various customers.

However, construction machinery rental service is constraint by the rules and regulation imposed by the Environmental Protection and Labour Department of HKSAR. New legal challenges and policies could be released due to the change of environmental and social issues. Such changes will lead to increase of cost and burden for the Group. In light of such potential risk, we have acquired new environmental type of machineries to replace the old ones so to meet the environmental requirements and protect the public health.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

During the Year, the Group had revenue generated from construction works and construction machinery rental. No revenue were generated from trading of construction machinery during the Year. Set out below is the breakdown of revenue of the Group during the Year and the year ended 31 March 2019:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Construction works	**118,353**	82,772
Construction machinery rental	**193,721**	132,036
Trading of construction machinery	**–**	6,530
	312,074	221,338

Revenue from construction works

During the Year, the revenue derived from our seven projects (2019: ten projects) amounted to approximately HK$118.4 million (2019: HK$82.8 million), accounting for approximately 37.9% (2019: 37.4%) of our total revenue. Such increase in revenue was the results of revenue in new construction works contributed by the construction projects in Ap Lei Chau Inland Lot and Kai Tak Sports Park which have been started during the Year. At the meanwhile, the Group has engaged in three new projects during the Year (2019: two projects). The Group has been actively participating in tenders for new public and private construction projects.

As at 31 March 2020, there were eight projects on hand with total outstanding contract sum amounting to HK$32.3 million. Six projects are expected to be completed in the year ending 31 March 2021, two projects are expected to be completed in the year ending 31 March 2022 and none of them is expected to have any material interruption.

MANAGEMENT DISCUSSION AND ANALYSIS

Below set out a list of projects during the Year:

Site Location	Type of Works	Status
Tuen Mun	Builder's work and general building works	Work in progress
Liantang/Heung Yuen Wai Boundary Control Point	Builder's work and general building works	Completed
Anderson Road Quarry Site	Foundation and site formation works	Work in progress
Hong Kong International Airport North Commercial District	Foundation and site formation works	Completed
HK-ZH-Macau bridge Hong Kong Boundary Crossing Facilities – Vehicle Clearance Plazas and Ancillary Buildings and Facilities	Foundation and site formation works	Work in progress
Yau Tong	Foundation and site formation works	Work in progress
Tuen Mun – Chek Lap Kok Link – Northern Connection Sub-sea Tunnel Section	Foundation and site formation works	Work in progress
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Work in progress
Ap Lei Chau Inland Lot	Foundation and site formation works	Work in progress
Kai Tak Sports Park	Foundation and site formation works	Work in progress

Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK$193.7 million (2019: HK$132.0 million), accounting for approximately 62.1% (2019: 59.6%) of our total revenue. The substantial increase in construction machinery rental income of the Group was mainly the result of some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system at Chek Lap Kok Airport and Tung Chung New Town Extension, have been started during the Year, thus, the demand in the market for our construction machinery increased.

Revenue from trading of construction machinery

During the Year, there were no revenue derived from our trading of construction machinery business (2019: HK$6.5 million), and thus did not contributed to our total revenue (2019: 3.0%). The substantial decrease in revenue from trading of construction machinery as the Group has not identified any potential customers.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT/(LOSS) AND GROSS PROFIT/(LOSS) MARGIN

The Group's total gross profit increased by approximately HK$32.6 million, from gross loss of approximately HK$19.3 million for the year ended 31 March 2019 to gross profit of approximately HK$13.3 million for the Year while our gross profit margin increased from gross loss margin of approximately 8.7% for the year ended 31 March 2019 to gross profit margin of approximately 4.3% for the Year. The increase in gross profit margin was mainly attributable to (i) the increase in the construction works during the Year and the gross profit margins for certain new foundation projects commenced during the Year are generally higher than those in the corresponding year in 2019; (ii) the increase in the revenue from construction machinery rental during the Year and the gross profit margins with higher utilization rate of our fleets; partially set-off by the adverse effect in (i) increase in costs resulting from temporarily suspension of certain projects because of the outbreak of COVID-19; and (ii) the depreciation expenses of machinery remained significant. Below set out the breakdowns of the gross profit/(loss) and gross profit/(loss) margin of the Group:

	Year ended 31 March			
	2020		2019	
	Gross Profit HK$'000	**Gross Profit Margin**	Gross (Loss)/ Profit HK$'000	Gross (Loss)/ Profit Margin
Construction works	**5,322**	**4.5%**	(6,550)	(7.9%)
Construction machinery rental	**8,013**	**4.1%**	(13,933)	(10.6%)
Trading of construction machinery	**–**	**–**	1,168	17.9%
	13,335	**4.3%**	(19,315)	(8.7%)

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK$32.5 million, representing an increase of approximately 16.4% compared with approximately HK$27.9 million for the previous year. Such increase is mainly due to the increase in the loss allowance on trade receivables and contract assets of approximately HK$3.5 million and the increase in general operational costs incurred of the Group.

NET LOSS

Loss after tax of approximately HK$15.6 million for the Year as compared to loss of approximately HK$45.5 million for the previous year. The decrease in loss is mainly attributable to the substantial increase in all revenue line and the improvement in gross profit margin.

TREASURY POLICY

It is the Group's policy to adopt a prudent approach towards its cash management policies and thus maintained a healthy liquidity position throughout the Year. To minimize the exposure to credit risk, the Group would regularly review the timeliness of receivables settlement and evaluate the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments would constantly meet its funding requirements for current and future operations.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities.

As at 31 March 2020, the Group had bank balances of approximately HK$13.5 million (2019: HK$42.7 million). The decrease is mainly due to the acquisition of new fleets of machinery during the Year. The new bank borrowings during the Year was approximately HK$77.7 million (2019: HK$94.9 million). The total interest-bearing liabilities of the Group including bank borrowings and lease liabilities as at 31 March 2020 was approximately HK$100.3 million (2019: HK$104.8 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 31 March 2020 was approximately 53.3% (2019: 51.4%).

PLEDGE OF ASSETS

As at 31 March 2020, the Group's bank borrowings and lease liabilities were secured by the ownership interest in leasehold land and building and machinery and equipment with an aggregate net carrying value of approximately HK$82.6 million (2019: HK$69.2 million), deposits and prepayments for life insurances with an aggregate net book value of approximately HK$10.1 million (2019: HK$9.8 million) and deposits with an aggregate net book value of approximately HK$3.9 million (2019: HK$2.2 million).

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. 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 386 (2019: 263) staff. Total staff costs including Directors' emoluments for the Year amounted to approximately HK$116.7 million (2019: HK$89.0 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 qualification and performance of each employee.

During the Year, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE AND COMMITMENTS

Our capital expenditure primarily comprises purchase of machinery and motor vehicles. Our capital expenditure was principally funded by bank borrowings, finance leases, internal resources and proceeds from new shares offer through the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 December 2016 (the "Listing"). The following table sets forth our Group's capital expenditure during the Year and previous year:

	2020 HK$'000	2019 HK$'000
Motor vehicles	18,748	2,716
Machinery	75,625	51,240
Others	6	8
	94,379	53,964

As at 31 March 2020, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2020, one of the subsidiaries has been named as defendant in one (2019: two) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK$4.5 million (2019: HK$7.7 million) in aggregate. The Directors considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

EVENTS AFTER THE YEAR

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

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, the Group had no significant investment held and did not have any material acquisition and disposal of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other plans for material investments and capital assets during the Year and as at the date of this report.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend to shareholders of the Company for the Year.

USE OF PROCEEDS FROM LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since 8 December 2016. After the exercise of the Over-allotment Option, the receipt of proceeds, after deduction of underwriting commission and other related estimated listing expenses, including both recognized in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("net proceeds") from the Listing were approximately HK$102.3 million.

The net proceeds raised by the Group have been fully utilized as at 31 March 2020 in the manner consistent with the proposed allocation as stated in the Company's prospectus dated 28 November 2016.

PROSPECTS

Despite the commencement of social unrest in the second half of 2019 and the outbreak of COVID-19 since early 2020, cause deteriorating economic conditions in Hong Kong which have severely affected the construction industry and caused the decrease in the number of projects which are available for tender, the government still keeps up its investment in Hong Kong for sustaining a long-term growth. The government continues in increasing land supply and commitment to infrastructure investments and the Group expects a rebound in the construction industry in the long run. Subsequent to 31 March 2020, the Group has been awarded a foundation contract from existing project with contract sum of approximately HK$89.7 million. As such the outstanding contract sum of the project on hand is amounting to approximately HK$122.0 million. Consequently, a certain amount of revenue from construction works of the Group are secured in the coming year.

Furthermore, to maintain our competitiveness, the Group has replaced and enhanced our fleet of machinery to strengthen the market position in Hong Kong to capture more sizeable and profitable projects and construction machinery rental business in the future.

Premised on those competitive edges of the Group, the Board remain confident with the future development of the Group. Nevertheless, we believe that we have touched the bottom and an improvement of our business is expected in the future.

CHANGE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the change of information of Directors are as follow:

Mr. Wong Yiu Kit Ernest resigned as an executive director, the company secretary and the chief financial officer of CLSA Premium Limited (stock code: 6877, formerly known as KVB Kunlun Financial Group Limited) on 16 August 2019 and resigned as an independent non-executive director of China Regenerative Medicine International Limited (stock code: 8158) on 21 August 2019.

Mr. Lee Man Tai appointed as an independent non-executive director of Rizhao Port Jurong Co., Ltd (stock code: 6117) with effective from 17 December 2019.

REPORT OF THE DIRECTORS

The Board presents to the shareholders this annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works, provision of construction machinery rental services and trading of construction machinery. Details of the principal activities of its subsidiaries are set out in notes 1 and 38 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Year.

BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" set out on pages 4 to 11 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 of this annual 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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of view that employees, customers, sub-contractors and suppliers are the keys to the sustainable development of the Group.

Employees

Employees are regarded as valuable assets of the Group. The objective of the Group's human resource management is to reward and recognize well-performed staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. In particular, the Group promote career development and advancement by providing appropriate training and opportunities in order to enhance the employees' work performance.

Customers

Our major customers include construction work companies engaged in public and/or private construction projects in Hong Kong. We have established long-term business relationship with these customers for many years and committed to offer our quality service to meet their requirement. We tend to maintain contacts with these customers regularly in order to understand their needs and provide required service to support their business.

REPORT OF THE DIRECTORS

Sub-contractors and Suppliers

Our Group have developed long-standing relationship with a number of sub-contractors and suppliers. We have always been communicating closely with them to ensure that good quality and sustainable goods and services will be provided to the Group. When selecting sub-contractors and suppliers, we often require them to satisfy certain criteria such as experience and capability, financial strength, track record, and reputation.

SHARE CAPITAL AND SHARES ISSUED DURING THE YEAR

Details of movements during the Year in the share capital of the Company are set out in note 28 to the consolidated financial statements of this annual report.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 49 of this annual report.

As at 31 March 2020, the Group had retained profits amounted to approximately HK$33,347,000 available for distribution to the Company's shareholders.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 15 November 2016. The principal terms of the Share Option Scheme is set out in note 32 to the consolidated financial statements of this annual report. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, 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 available for issue under the Share Option Scheme is 100,000,000 shares, representing 9.64% of the issued shares of the Company as at the date of this annual report.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Year and up to the date of this annual report.

DIRECTORS

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

Executive Directors
Mr. Wu Wing Hang
Mr. Chan Tak Ming

Independent Non-Executive Directors
Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

REPORT OF THE DIRECTORS

In accordance with article 108 of the Company's articles of association (the "Articles"), Mr. Lee Man Tai and Mr. Leung Ka Fai will retire from office as Directors at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

Information regarding Directors' emoluments is set out in note 12 to the consolidated financial statements of this annual 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 Directors ("INEDs"). The Group considers all INEDs to be independent under the Listing Rules.

DIRECTORS' SERVICE CONTRACT

All the INEDs have respectively entered into a letter of appointment with the Company for a term of two years unless terminated by not less than three month's notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

During the Year, no contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

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

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Year and up to the date of this annual report.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has made an annual declaration to the Company up to 31 March 2020, he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2020, interests and long positions in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the shares

Name of Director	Capacity/Nature of interest	Shares held	Approximate number of shareholding percentage
Mr. Wu Wing Hang ("Mr. Wu")	Interest in controlled corporation – Corporate interest (Note)	610,995,000	58.89%

Note: The 610,995,000 shares are held by Profit Gold Global Limited ("Profit Gold"). Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold and is deemed, or taken to be, interested in all the shares held by Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

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

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Wu	Profit Gold	Beneficial owner (Note)	1	100%

Note: Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold, and he is deemed or taken to be interested in all the shares in Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

(iii) Short positions

Other than as disclosed above, as at 31 March 2020, none of the Directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2020, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name	Capacity/Nature of interest	Number of shares held/interested in	Percentage of shareholding
Profit Gold	Beneficial owner (Note 1)	610,995,000	58.89%
Ms. Kwok Wai Sheung Melody ("Ms. Kwok")	Interest of spouse (Note 2)	610,995,000	58.89%

Notes:

1. 610,995,000 shares were beneficially owned by Profit Gold, which is wholly owned by Mr. Wu.

2. Ms. Kwok, being spouse of Mr. Wu is deemed to be interest in the 610,995,000 shares held by Mr. Wu under the SFO.

Save as disclosed above, as at 31 March 2020, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the Year or at any time during the Year.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The approximate percentages of the Group's revenue and cost of sales attributable to major customers, subcontractors and suppliers during the Year and year ended 31 March 2019 are as follows:

	Year ended 31 March	
	2020	2019
Approximate % of total revenue		
from the largest customer	**17.63%**	34.3%
from the five largest customers in aggregate	**51.83%**	50.4%
Approximate % of cost of sales		
from the largest subcontractor	**16.7%**	10.5%
from the five largest subcontractors in aggregate	**19.27%**	15.9%
from the largest supplier	**2.1%**	3.3%
from the five largest suppliers in aggregate	**6.9%**	7.0%

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any interest in the five largest customers nor suppliers during the Year.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as disclosed in note 33 to the consolidated financial statements of this annual report, all transactions which also constitute connected transactions or continuing connected transactions are fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the Year, there were no connected transactions or continuing connected transactions of the Company which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MARKET CAPITALIZATION

As at 31 March 2020, the market capitalization of the listed securities of the Company was approximately HK$164,963,000 based on the total number of 1,037,500,000 issued shares of the Company and the closing price of HK$0.159 per share.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

EVENTS AFTER YEAR

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2020 have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Year and up to the date of this annual report except for the deviation from code provision A.2.1 of the CG Code as explained in the Corporate Governance Report.

The details of Group's compliance with the CG Code is set out in the Corporate Governance Report from pages 24 to 32 of this annual report.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations amounting to approximately HK$74,000.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group during the Year.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES

Sustainability is one of the key factors to the Group's development, as well as for the viability of its business and the welfare of the community. We are committed to offering premium products and services to obtain customer satisfaction all round. In recent years, we have been looking for ways to minimize the adverse impact of our businesses on the environment (i.e. air and noise pollution) by improving operational efficiencies and implementing eco-friendly measures. The Group will continue to strive for energy-saving and environmental-friendly equipment and materials for our construction projects. We will formulate policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation, and be more active in involving various community programs and contributing to the society.

Details are set out in the Environmental, Social and Governance Report (the "ESG Report") from pages 33 to 39 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board
Wu Wing Hang
Chairman

Hong Kong, 29 June 2020

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wu Wing Hang (胡永恒) ("Mr. Wu"), aged 41, is the founder of our Group. Mr. Wu is also a member of the nomination and remuneration committee. He was appointed as a Director on 21 April 2016 and was designated as an executive Director on 13 July 2016. He was also appointed as the Chairman of our Group on 13 July 2016. He is currently responsible for overseeing the corporate strategy and operational management of our Group. Mr. Wu is also a director of all the subsidiaries of our Group.

Mr. Wu has over 22 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in City College in Hong Kong in 1995. In 2010, Mr. Wu established Luen Yau Construction Company. He established Luen Yau Construction Company Limited in December 2007 and served as its director.

Mr. Wu is the spouse of Ms. Kwok Wai Sheung Melody, the human resources and administration Manager of the Company. For Mr. Wu's interest in the shares of the Company within the meaning of Part XV of the SFO, please refer to the section headed "Report of the Directors" in this annual report.

Mr. Chan Tak Ming (陳德明) ("Mr. Chan"), aged 54, was appointed as Director on 31 May 2016 and was designated as an executive Director on 13 July 2016. He is currently responsible for overseeing the rental operation of our Group.

Mr. Chan has over 35 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in Oberlin College in Hong Kong in 1983. Mr. Chan joined our Group in August 2003 as a machine operator and was promoted to the position of head of machine rental department in July 2013.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest (黃耀傑) ("Mr. Wong"), aged 52, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of our Company.

Mr. Wong has over 27 years of experience in venture capital, corporate finance, business development and general management. Mr. Wong has been the President and Group Chief Financial Officer of KVB Kunlun Holdings Limited since November 2011. Mr. Wong is an independent non-executive director of Renheng Enterprise Holdings Limited (stock code: 3628), HongDa Financial Holding Ltd (stock code: 1822), and Aidigong Maternal & Child Health Limited (stock code: 286, formerly known as Common Splendor International Health Industry Limited) whose shares are listed on the Stock Exchange. Mr. Wong also served as the board director at Adamas Finance Asia Limited from May 2008 to June 2019, a company listed on the London Stock Exchange (LSE stock code: ADAM), and served as its chief financial officer from May 2008 to October 2011. Mr. Wong also served as the chief financial officer of the Hong Kong Applied Science and Technology Research Institute and the vice president of Vertex Management (HK) previously. Mr. Wong was an independent non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) from November 2016 to September 2018, an independent non-executive director of China Regenerative Medicine International Limited (stock code: 8158) from February 2017 to August 2019 and was the executive director (from May 2018 to August 2019), chief financial officer and the company secretary of CLSA Premium Limited (stock code: 6877, formerly known as KVB Kunlun Financial Group Limited) from October 2014 to August 2019, whose shares are listed on the Stock Exchange.

Mr. Wong obtained a bachelor's degree in business administration from The University of Hong Kong, a master's degree in management from the Saïd business school of Oxford University, a master's degree of science in investment management from The Hong Kong University of Science and Technology and a master's degree of science in electronic engineering from the Chinese University of Hong Kong. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. He is also the charter-holder of the Institute of Chartered Financial Analysts. He is now the deputy chairman of the HKU Convocation, the court member of The University of Hong Kong, the past president of the Hong Kong University Graduates Association and the vice-chairman of the Association of Chartered Certified Accountants Hong Kong.

Mr. Lee Man Tai (李文泰) ("Mr. Lee"), aged 43, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company.

In November 2000, Mr. Lee obtained his Bachelor degree in business administration from Lingnan University, Hong Kong. In November 2010, he further obtained a Master degree in business administration in financial services from The Hong Kong Polytechnic University. Mr. Lee was admitted as a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in May 2012 and October 2012 respectively. He is also a representative for Type 1 and Type 6 regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee has over 18 years of experience in financial and auditing industries. Mr. Lee served as the chief financial officer and company secretary in several listed companies including China Yuanbang Property Holdings Limited, a listed company on the main board of Singapore Exchange Securities Trading Limited with stock code BCD between October 2006 to October 2012, China 33 Media Group Limited (stock code: 8087) between October 2012 and May 2014 and Flying Financial Service Holdings Limited (stock code: 8030) as the chief financial officer between July 2014 to April 2015 and company secretary between August 2014 to April 2015. Mr. Lee also served as the company secretary and financial controller of Chanco International Group Limited (with its name changed to China International Development Corporation Limited) (stock code: 264) from April 2015 to September 2015 and from April 2015 to January 2016 respectively. He is currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228) since January 2016. He was appointed as an independent non-executive director of Rizhao Port Jurong Co., Ltd (stock code: 6117) with effective from December 2019.

Mr. Leung Ka Fai (梁家輝) ("Mr. Leung"), aged 41, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the nomination committee and a member of the audit committee of our Company.

In October 2008, Mr. Leung obtained his Master degree in Chinese language and literature from The Hong Kong Polytechnic University. He further obtained a Postgraduate diploma in education (teaching in Chinese) from The Hong Kong Baptist University in November 2012 as well as a Master degree in sociology from The Chinese University of Hong Kong in November 2014.

Mr. Leung was a district council member of Sha Tin District Council from January 2008 to December 2019. He has also been a committee member of Yunfu City of the Chinese People's Political Consultative Conference since January 2013. He is a vice-president of Sha Tin East District in New Territories East Region of District Scout Council of Scout Association of Hong Kong and also the member of the Appeal Board of Bedspace Apartments, Hotel and Guesthouse Accommodation and Clubs (Safety of Premises) of the Home Affairs Bureau of the Government of the Hong Kong Special Administration Region.

Mr. Leung has over 8 years of experience in management. He served as a business director of Beta Field Capital Limited from December 2011 to February 2012 and an independent non-executive director of China Biotech Services Holdings Limited (stock code: 8037, formerly known as Rui Kang Pharmaceutical Group Investments Limited and Longlife Group Holdings Limited respectively) from June 2013 to December 2017. He was also appointed as an independent non-executive director of China Ding Yi Feng Holdings Limited (stock code: 612, formerly known as China Investment Fund International Holdings Limited and China Investment Fund Company Limited respectively) from 22 April 2016 to 20 July 2016 and subsequently appointed and redesignated as a non-executive director with effect from 31 October 2016.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Kwok Wai Sheung Melody (郭慧嫦) ("Ms. Kwok"), aged 42, is our human resources and administration manager. She is currently responsible for human resources management, training and education of employees.

In 1995, Ms. Kwok completed her secondary school education in Ho Ngai Prevocational School (Sponsored by Sik Sik Yuen) in Hong Kong. Ms. Kwok is the spouse of Mr. Wu.

Ms. Kwok has over 20 years of experience in the construction industry. She joined Luen Yau Construction Co. in July 2003 as a human resources and administration manager. Prior to joining our Group, Ms. Kwok worked as a site clerk in Dickson Construction Co., Ltd. from September 1998 to December 2000 and China Harbour Engineering Co. from November 1997 to September 1998.

COMPANY SECRETARY

Ms. Lee Ying Ying (李盈熒) ("Ms. Lee"), aged 45, is our chief financial officer and company secretary and was appointed on 13 July 2016. She joined our Group in December 2015 and is currently responsible for finance management and company secretarial works.

In December 2005, Ms. Lee obtained her Master degree in professional accounting from The Hong Kong Polytechnic University. She was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in June 2002 and a fellow member of the Association of Chartered Certified Accountants in April 2007.

Ms. Lee has over 25 years of experience in the auditing and accounting field. She has served a number of auditing position in various private companies from June 1994 to November 2003. From November 2003 to February 2013, Ms. Lee served as an administration and financial director and was promoted to the chief financial officer in 3 Wells Group Holdings Limited. She is also as a director of P&M Corporate Services Limited since December 2013.

CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as set out in Appendix 14 of the Listing Rules. Throughout the Year and up to the date of this annual report, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the Year and up to the date of this annual report, the role of the chairman of the Company is performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company is vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company.

Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have complied with the Model Code throughout the Year.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules during the Year. The Board constituted of five members, including two executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors
Mr. Wu Wing Hang *(Chairman)*
Mr. Chan Tak Ming

Independent non-executive Directors
Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

Biographical details of each Director and relationship between Board members are set out on pages 20 to 23 of this annual report.

The Company has signed a letter of appointment with each of the independent non-executive Directors for a term of two years, which may be terminated earlier by no less than three months' written notice served by either party on the other.

Pursuant to article 108(a) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company has also complied with Rule 3.10(2) of the Listing Rules. One of the independent non-executive Directors possesses the appropriate professional accounting qualifications and financial management expertise.

CORPORATE GOVERNANCE REPORT

During the Year, five regular Board meetings and a general meeting were held. Details of the attendance of the Directors to the regular Board meetings and general meeting are as follows:

Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors		
Mr. Wu Wing Hang	5/5	1/1
Mr. Chan Tak Ming	5/5	1/1
Independent non-executive Directors		
Mr. Wong Yiu Kit Ernest	5/5	1/1
Mr. Lee Man Tai	5/5	1/1
Mr. Leung Ka Fai	5/5	0/1*

* Pursuant to code provision A.6.7 of the CG Code that Independent Non-Executive Directors and other Non-Executive Directors should also attend general meeting. Mr. Leung Ka Fai, Independent Non-Executive Directors of the Company did not attend relevant general meeting of the Company due to business arrangement.

Every Director is entitled to have access to Board papers and related materials, and the advice and services of the company secretary of the Company (the "Company Secretary"), and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

BOARD DIVERSITY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. During the Year, the Directors have participated in continuous professional development programmes, such as external seminars organized by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest. Such induction materials and briefing will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided record of their training attendance and the Company will continue to arrange and fund the training in accordance with the CG Code provisions.

BOARD COMMITTEES

The Board has established three committees, namely the audit committee (the "Audit Committee"), the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee"). The table below provides the membership information of these committees on which certain Board members served:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Wu Wing Hang	–	M	M
Mr. Chan Tak Ming	–	–	–
Mr. Wong Yiu Kit Ernest	M	M	C
Mr. Lee Man Tai	C	–	M
Mr. Leung Ka Fai	M	C	–

Notes:

C – Chairman of the relevant committee

M – Member of the relevant committee

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Man Tai, Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. Mr. Lee Man Tai is the Chairman of the Audit Committee. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditors, and performing the corporate governance function.

The Audit Committee's authority and duties are set out in written terms of reference, which have been revised by the Board on 31 December 2018 and are available on the websites of the Company and the Stock Exchange.

The Audit Committee held two meetings during the Year to review, and recommend to the Board for approval, the audited financial statements of the Company for the year ended 31 March 2019, the unaudited interim financial statements for the six-month period ended 30 September 2019 and reviewed the internal audit reports including the review and evaluation of internal controls. The individual attendance record of each member at the meetings of Audit Committee are set out below:

Name of member of the Audit Committee	Attendance/ Number of Meetings
Mr. Lee Man Tai	2/2
Mr. Wong Yiu Kit Ernest	2/2
Mr. Leung Ka Fai	2/2

NOMINATION COMMITTEE

Pursuant to paragraph A.5 of the CG Code, the Nomination Committee comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Leung Ka Fai and Mr. Wong Yiu Kit Ernest. Mr. Leung Ka Fai is the Chairman of the Nomination Committee. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying and nomination of Directors and making recommendations to the Board on appointment and re-appointment of Directors.

CORPORATE GOVERNANCE REPORT

During the Year, the Nomination Committee held one meeting to (i) review the structure, size and diversity of the Board; (ii) assess the independence of the independent non-executive Directors; and (iii) recommend to the Board for consideration the re-election of all the retiring Directors at the forthcoming annual general meeting. The individual attendance record of each member of the Nomination Committee is set out below:

Name of member of the Nomination Committee	Attendance/ Number of Meetings
Mr. Leung Ka Fai	1/1
Mr. Wu Wing Hang	1/1
Mr. Wong Yiu Kit Ernest	1/1

The Board has adopted the nomination policy which sets out the nomination criteria and procedures for the Company to appoint additional Directors or re-elect Directors.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations. Qualified candidates will then be recommended to the Board for approval.

REMUNERATION COMMITTEE

Pursuant to paragraph B.1 of the CG Code, the Remuneration Committee comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest and Mr. Lee Man Tai. Mr. Wong Yiu Kit Ernest is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of independent non-executive Directors.

The Remuneration Committee's authority and duties are set out in written terms of reference, which have been revised by the Board on 31 December 2018 that are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held two meetings during the Year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the directors and other related matters and the individual attendance record of each member of the Remuneration Committee is set out below:

Name of member of the Remuneration Committee	Attendance/ Number of Meetings
Mr. Wong Yiu Kit Ernest	2/2
Mr. Wu Wing Hang	2/2
Mr. Lee Man Tai	2/2

No Director takes part in any discussion about his own remuneration. Full details of remuneration of the Directors and the five highest paid employees are provided in notes 12 and 13 respectively to the consolidated financial statements of this annual report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary, who is also the chief financial officer of the Company, is a full time employee of the Company. During the Year, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. Her biography is set out on page 23 of this annual report in the section of "Biographies of the Directors and Senior Management".

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the Year. The Directors aim to present a clear and understandable assessment of the Group's financial position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules, and reports to the regulators.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

One of the major functions of the Board is to maintain an adequate risk management and internal control systems to safeguard shareholders' investments and the Group's assets, and reviewing their effectiveness annually through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board.

Policies and procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The policies and procedures provide a reasonable assurance that material misstatements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Year, the Company engaged an external independent consulting firm to review the effectiveness of certain of the Group's risk management and internal controls systems. Relevant recommendations made by the consultant have already been implemented in stages by the Group to further enhance its internal control policies, procedures and practices. The Board considered that the Group's risk management and internal control systems were effective during the Year.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

DISCLOSURE OF INSIDE INFORMATION

The Company has put in place a policy for the disclosure of inside information in compliance with the SFO. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Company and its subsidiaries.

AUDITOR'S REMUNERATION

During the Year, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliated firms, in respect of their audit and non-audit services was as follows:

	Service Fee
	HK$'000
Audit services	894
Non-audit services:	
– Review for interim report	250
– Others*	36
	286
Total	1,180

* Performed by SHINEWING (HK) CPA Limited's affiliated firms.

DIVIDEND POLICY

Pursuant to code provision E.1.5 of the CG Code, the Company has adopted a dividend policy ("Dividend Policy"). This Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits, realised or unrealised, or from any reserve set aside from profits which the Board determine is no longer needed, as dividends to the shareholders of the Company.

In deciding whether to propose or declare a dividend and in determining the dividend amount and means of payments, the Board should take into account, the actual and expected financial performance of the Group; retained earnings and distributable reserves of the Company and each of the other members of the Group; economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group, business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business; the current and future operations, liquidity position and capital requirements of the Group; statutory and regulatory restrictions and any other factors that the Board may consider relevant. The Board will review the dividend policy as appropriate from time to time.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations.

The Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange; and (d) the Company's web-site providing an electronic means of communication.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

How shareholder can convene an extraordinary general meeting

The following procedures for shareholders to convene an extraordinary general meeting ("EGM") are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

(a) Pursuant to article 64 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(c) The requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and

(e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by mail to the Company's principal place of business in Hong Kong at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

Procedures for putting forward proposals at shareholders' meeting

There are no provisions in the Articles or the Companies Law of the Cayman Islands for shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph heading "How shareholder can convene an extraordinary general meeting".

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

As of the year ended 31 March 2020 and up to the date of this annual report, there were no changes made to the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The objective of this Environmental, Social and Governance ("ESG") Report is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

The Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 27 of the Main Board Listing Rules. An assessment on the applicability and materiality of the relevant key performance indicators ("KPIs") under the ESG Reporting Guide had been conducted.

GOVERNANCE ON ESG ASPECTS

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management are delegated the responsibility of coordinating the implementation of the Group's environment, employment and service quality assurance policies.

ESG MANAGEMENT APPROACH

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

STAKEHOLDER ASSESSMENT AND COMMUNICATION

The Management had given due consideration in accessing and addressing the definition and concerns of the stakeholders of the Group. Stakeholder assessment and engagement refer to the process by which the Group involves parties who may be affected by the decisions it makes or can influence the implementation of its decisions. In the course of the businesses the Management had: set out the full spectrum of stakeholders by consulting various departments within the Group; leverage on the on-going communication channels and day-to-day interactions to engage these stakeholders; and conducted an in depth assessment of the influence and dependency of each of these stakeholder groups. The Company's stakeholders can categorically be divided into customers, suppliers, employees and shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

Emissions

Reducing greenhouse gas emissions is the most important mitigation measure for tackling climate change, and carbon footprint assessment provides the underlying indicators for reducing greenhouse gas emissions.

Air pollutants and greenhouse gas ("GHG") emissions

Multiple sources of emissions are generated from our business operations. Emissions generated by the Group mainly arise from electricity consumption at offices used and from diesel fuel consumed by Group owned vehicles. Given that emissions were substantially due to equipment usage and Group-owned vehicles, our mitigation strategy focuses significantly on these sources. A range of measures is used to avoid, reduce or control pollution where technically and economically feasible, with the implementation of various energy-saving measures to reduce the emission of greenhouse gases. We have opted to use a more energy-efficient fuel, Shell Fuel-save Diesel, for most of our vehicles and machinery (e.g. excavator and lorry cranes). To reduce the emission of carbon dioxide, the Company has strictly controlled total energy consumption and adjusted the energy utilization structure, to cut down on the use of energy with high carbon dioxide content. It has adopted clean energy and promoted the clean production strategy. While discarding obsolete capacity and processes and purchasing energy-saving and advanced equipment, we have also applied cutting-edge technologies to help with energy conservation and pollution prevention. Under the amendment of the Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong) in 2008 by the Environmental Protection Department ("EPD"), we ensure all machinery used are diesel-driven, with sulphur content not higher than 0.005%, and endeavour to reduce our carbon emission levels when we are operating in any construction sites.

The Group owned vehicles are both for rental and construction purposes, therefore the Group unable to retrieve usage records. As a result, atmospheric emission data for nitrogen oxides and particulate matter are unavailable. Sulphur oxides produced by the combustion of diesel was about 21 kg.

GHG emission	Unit	2020	2019
Scope 1 – Fuel combustion	Tonne	**3,429**	4,562
Scope 2 – Purchased electricity	Tonne	**6**	6
Scope 3 – Other indirect emissions	Tonne	**4**	3
Total GHG emissions	Tonne	**3,439**	4,571
GHG emission intensity	Tonne/million HK$ revenue	**11**	21

Waste Management

Due to the nature of the industry, the Group does not produce hazardous waste. During the reporting year, the Group did not experience any emission-related non-compliance issue that could have had a significant impact on the environment. The main non-hazardous wastes of the Group are construction-related which are all disposed of according to the Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong). The Group also strictly follow the requirements of the Environmental Protection Department and the main contractors. We engage qualified construction waste collector to handle construction waste if necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

Environmental protection is the responsibility of every staff of the Group. The focus is on reducing natural resource consumption. The Group promotes the paperless office, encourages employees to maximise the use of electronic communications and electronic documents, avoid unnecessary printing and copying, reduce paper consumption, and recycle office waste paper and other office supplies. To put into practice the concept of the "3Rs" (Reduce, Reuse and Recycle) in our offices and site offices, we have implemented stages of time regarding environmental policies. For instance, we encourage staff to reduce paper usage by double-sided copying and frequent use of electronic information systems for communication and documentation; to switch off lights and electrical facilities/appliances (computers and printers) when leaving the workplace or when they are not in use; to purchase and use energy-efficient products; to use natural lighting and ventilation in site offices; to encourage a paperless work environment in terms of internal and external email communication; and to place recycling bins in offices to encourage recycling.

As a business in the construction industry, the Group is mainly engaged in the construction of infrastructure, real estate, urban complexes, etc., and our operational processes do not involve consumption of packaging materials or packaging material-related businesses. Therefore, this indicator is not applicable. During the Year, the natural resources consumed is as follows:

Use of natural resources	Unit	Consumption	Consumption intensity (Per million HK$ revenue)
Electricity	kWh	9,116	29
Paper	kg	813	3
Diesel	L	1,290,573	4,136
Petrol	L	8,284	27

The Environment and Natural Resources

Under its commitment to a development path of environmental protection and sustainability, the Group has always taken environmental protection measures in the processes of design, development and operation of each and every project. As a construction business, the Group's environmental impact in the course of business development comprises only solid – vegetation and construction – waste within the scope of construction. Each project of the Group has a site agent to control construction waste and ensure it can be processed in a timely and effective manner. The Group also fosters a greener environment within the scope of construction through a good line design.

To minimise environmental impact, the Group regularly monitors the potential impact of its business operations on the environment and promotes a green office and production environment through four basic principles: reducing, reusing, recycling and replacing. At the same time, the Group verifies the effective use of resources each year, to ensure continuous improvement in this field. The Group has also engaged the Hong Kong Quality Assurance Agency to carry out regular confirmation of our ISO 14001 qualification for management of waste and resource provision in our construction works. During construction works, the operation of machinery and equipment and the construction processes create noise, which may affect people living or working nearby.

We strictly implement the guidelines regarding construction noise pollution caused by our main contractors, and comply with the Noise Control Ordinance (Cap. 400, Laws of Hong Kong). Under the Noise Control Ordinance, all construction activities are controlled by means of a system of Construction Notice Permits ("CNP") issued by the EPD. In addition, the carrying out of general construction works using powered mechanical equipment is prohibited between 7 p.m. and 7 a.m., and at any time on a general holiday, including Sundays, unless a valid CNP is in force. In our daily operations, we seek to minimise impact on wastewater pollution. Based on the guidelines from main contractors, we have set up a wastewater collection basin in each construction site for wastewater handling.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES

Employment

Employees are the most valuable assets of the Group, and the Group's growth depends on the unremitting efforts and dedicated service of all staff. The Group respects human rights and believes that every employee should be treated with respect. Starting from the employment system, the Group is committed to creating an equal and ideal working environment for our employees. From recruitment to promotion, the Group follows open, fair and ability-first management principles. We only consider the qualifications, experience and skills of applicants and employees, and disregard gender, race, ethnicity, age or religion. The Group makes available a variety of job opportunities, and encourages promotion and retention of talent. To attract and retain talent, we conduct annual appraisals to review staff performance.

As at 31 March 2020, the Group has 386 (2019: 263) staff, including office and site staff. The composition of our staff was as shown in the following table. Due to the nature of our business, male employees represent the major part of our labour force. Due to our operational locations, all our staff members are located in Hong Kong. Moreover, since the major business of the Group is construction as a sub-contractor, the majority of our employees are junior level staff.

	No. of staff	Distribution (%)
Gender		
Male	363	94
Female	23	6
Age Group		
18–25	9	2
26–35	35	9
36–45	90	23
46–55	115	30
56–65	113	30
66 or above	24	6
Service period		
Less than 3 years	319	83
3 to 6 years	52	13
Over 6 years	15	4

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to reduce the loss of talents, we regularly review employee benefits to enhance employees' initiative and increase returning employees. We strive to maintain employee turnover rate at an acceptable level so as to facilitate accumulation of professional skills and experience. During the Year, the Group's employee turnover rate was about 3%, which is categorised by gender and age group as follows:

Gender		Age Group					
Male	Female	18–25	26–35	36–45	46–55	56–65	>65
3%	6%	1%	3%	2%	1%	/	2%

Our staff enjoys equality of opportunity while working with us. Under our human resources policies, we comply firmly with the relevant laws and legislation such as the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487) of the Laws of Hong Kong. For the year ended 31 March 2020, the Group did not notice of non-compliance in relation to employment and labour laws and regulations.

Health and Safety

Under a philosophy that puts life and safety first, the Group upholds best-in-industry work safety standards and practices. Prior to the commencement of each project, we employ a Registered Safety Officer ("RSO") and establish relevant safety policies and procedures with regular review by the Board of Directors. Our RSO is responsible for providing basic safety rules and training to our staffs and sub-contractors, monitoring the work environment and staff facilities regularly, acting as a key contact for emergency and injury reporting, and working out annual safety assessments in both offices and sites. Moreover, the Group has specifically engaged a registered safety auditor to oversee the implementation of the health and safety policies and to update the policies annually so as to ensure that the Group maintains a high standard of health and safety. Furthermore, the Group has obtained OHSAS 18001:2007 accreditation for our occupational health and safety management system, which is committed to taking account of occupational health and safety requirements.

We ensure our site staff are provided with full sets of Personal Protective Equipment ("PPE") such as safety helmets, harnessing, earplugs, goggles, dust masks, gloves, safety shoes and reflective waistcoats. All our machineries and site vehicles also undertake regular performance and safety testing. The Company attaches great importance to safety training, and focuses on the frontline and operational personnel. Through pre-work education and project site broadcast and billboard measures, the Company raises the safety awareness of staff and guarantees operational safety. At the same time, close communication and collaboration with main contractors is also important, so that we can obtain timely updates from them. Safety meetings and site inspections are held regularly to monitor the health and safety of workers. During the year ended 31 March 2020, the Group did not aware of any non-compliance with laws and regulations relating to health and safety issues.

Occupational health and safety statistics	2020	2019
Number of work injuries	6	5
Number of lost days due to work injury	814	995
Number of work-related fatalities	Nil	Nil

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training and Development

The Group believes that nurturing and retaining talent is the key to ensuring our business development and strengthening our competitiveness. The Group has focused on the cultivation of professional skills and accumulation of knowledge in training measures, as we are keen to provide health and safety training to our employees in multiple areas, including workplace safety, safe use of personal protective equipment and operations involving manual handling.

Before commencing onsite work, our employees are required to attend an induction training session, to ensure they have understood health and safety policies in the workplace. The Group recognises the importance of employee self-development, and ensures equality of opportunity in training for different levels of staff.

Labour Standards

The Group has implemented a strict recruitment procedure through the Human Resource Department and upon discovery of any child labour and use of forced labour, the person will be dismissed immediately. The Board will discuss and review the discovered event to prevent it from happening again. Additionally, we prohibit all forms of forced labour, child labour and employment of illegal workers in any workplaces, and are committed to complying with the relevant laws and regulations.

The Group has zero tolerance for use of forced or child labour, or the hiring of illegal immigrants in either our office or construction sites. Our human resources department imposes stringent controls in the recruitment process to prevent such illegal recruitment. During the year ended 31 March 2020, the Group did not aware of any occurrence of hiring child labour and the use of forced labour.

OPERATING PRACTICES

Supply Chain Management

The Group believes that the reliability and quality of construction works are crucial to our reputation. For this reason, it has implemented quality control procedures with documentation covering all stages of our construction processes, from procurement of raw materials to completion of construction works, allowing us to verify and ensure the consistency of quality. The Group has adopted and implemented a quality control system that complies with international standard ISO 9001:2008. In carrying out procurements, we ensure that the services or goods are sourced from the approved suppliers' list. We also evaluate existing suppliers' and sub-contractors' performance on a regular basis. When selecting new suppliers or sub-contractors, we take into account their quality of work or services, on-time delivery record, financial stability, past performance and reputation. During the year, all sub-contractors were from Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

The Group is committed to delivering quality construction projects completed to specification. To this end, our Health Safety & Environment and Quality policies are strictly implemented, while the quality management system of our construction arm has adopted the requirements of ISO 9001 to ensure product quality.

In recognition of our quality control system, we have obtained several certifications – International Organisation for Standardization ("ISO") 9001:2008, ISO 14001:2004 and Occupational Health Safety Assessment Series ("OHSAS") 18001:2007 – from Accredited Certification International Limited.

Also, we recognise that good customer relationships and after-sales services are the key factors influencing our success and sustainability. Therefore, we have set up a dedicated customer communication channel to handle queries and feedback efficiently. Similarly, customer complaints are thoroughly investigated and root causes are identified and acted on, in line with quality management system standards. We endeavour to deliver our construction works and rental services in a way that meets customers' expectations and provides satisfaction.

As a result, we are committed to substantiating compliance with relevant laws and regulations within our construction works and rental services, and to ensuring all machinery is approved or exempted by label as Non-Road Mobile Machinery ("NRMM"), and we have obtained the Certificate of Test and Thorough Examination of Lifting Appliances under the Labour Department and Environmental Protection Department of Hong Kong respectively. Plant and equipment operators must hold the licensed construction machinery and vehicle operators' registration respectively. Plant and equipment operators must hold the licensed construction machinery and vehicle operators' registration under the Construction Workers Registration Board of the Construction Industry Council.

During the year ended 31 March 2020, no complaint was received from customers regarding our services and the quality of our construction works. Further, the Group has not identified any non-compliance with the relevant laws and regulations in respect of product responsibility.

Anti-Corruption

At the heart of the Group lie our core values of honesty, integrity and fair play. The Group expects all directors, officers and employees to uphold those values at all times. An anti-corruption policy and whistleblowing programs are included in our staff handbook and internal control manual to demonstrate this commitment. We have also set up a separate email address as a confidential whistleblowing channel to the Audit Committee, to allow employees to report any misconduct or malpractice observed.

As at 31 March 2020, the Group did not notice any non-compliance with the relevant laws and regulations regarding bribery, extortion, fraud and money laundering.

COMMUNITY INVOLVEMENT

The Group always fulfils its employment responsibility, which is considered to be a key element of corporate social responsibility. We are committed to deepening our contribution to the community. In addition, we contribute to society through donations to various organizations which focus on youth development and the promotion of traditional Chinese culture for approximately HK$74,000. The Group will continue to participate actively in social welfare activities, to better serve the community and motivate our employees to participate in community enhancement events.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF PROGRESSIVE PATH GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Progressive Path Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 46 to 115, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "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 judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

REVENUE RECOGNITION FROM CONSTRUCTION WORKS

Refer to note 7 to the consolidated financial statements and the accounting policies from page 58 to page 60.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 March 2020, the Group recognised revenue from construction works of approximately HK$118,353,000. As stated in note 3 to the consolidated financial statements, the Group recognised contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the accumulated actual cost incurred to date over the total budgeted contract cost. Accordingly, revenue recognition from construction works involves a significant degree of management estimates and judgements, with estimates being made to assess the total budgeted contract cost and stage of completion of the contracts. We have identified the revenue recognition from construction works as a key audit matter because the amount is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group.	Our audit procedures were designed to review the management's assessment, and its estimations and judgements used in the revenue recognition from construction works. We have discussed with the project managers and the management of the Group and checked the supporting documents, such as construction contracts, variation orders and payment certificates to assess the reasonableness of the management's estimation of the budgeted revenue and total budgeted contract cost. We have recalculated the percentage of completion based on accumulated actual cost incurred to date over the total budgeted contract cost. We assessed reliability of management's assessment in total budgeted contract cost by considering the historical actual costs and estimation of total budgeted contract cost of completed project.

INDEPENDENT AUDITOR'S REPORT

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements and the accounting policies from page 64 to page 65.

The key audit matter

As at 31 March 2020, the carrying amount of the Group's property, plant and equipment is approximately HK$138,935,000.

The management of the Group performed impairment assessment of the property, plant and equipment by determining recoverable amount with reference to the value-in-use calculations. The value-in-use calculations were based on profit forecast and cash flows projection, with the use of estimates on the future profitability from construction works and construction machinery rental services.

We have identified the impairment assessment of property, plant and equipment as a key audit matter because the amount is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group.

How the matter was addressed in our audit

Our audit procedures were designed to review the management's assessment, and its estimations and judgements used in the impairment assessment of property, plant and equipment.

We have obtained the understanding on the management's impairment assessment process on identifying assets, through review of documentation, discussion with management, that may be indicative to be impaired, and evaluating the reasonableness of the management's assessment with reference to the revenue generated from the property, plant and equipment in recent years.

We have assessed the reasonableness of the management's key assumptions used to estimate the value-in-use of the property, plant and equipment by evaluating the estimated future income generated from the assets with reference to the historical construction projects, the management's business strategy, or other relevant information in the industry.

INDEPENDENT AUDITOR'S REPORT

LOSS ALLOWANCE ON TRADE RECEIVABLES AND CONTRACT ASSETS

Refer to notes 17 and 18 to the consolidated financial statements and the accounting policies from page 67 to page 71.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2020, the carrying amounts of the Group's trade receivables and contract assets are approximately HK$144,120,000 and HK$39,666,000, net of accumulated loss allowance on trade receivables and contract assets of approximately HK$17,618,000 and HK$1,157,000 respectively. In assessing the loss allowance made under the expected credit loss ("ECL") model, the management of the Group used judgements and estimates to determine the historical credit loss experience and forward-looking information specific to the debtors and their economic environments. We have identified the loss allowance on trade receivables and contract assets as a key audit matter because the amount is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group.	Our audit procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on trade receivables and contract assets. We have obtained an understanding of the methodology for the ECL model, development processes and its relevant controls, through review of documentation, discussion with management and independent valuer. We have also assessed the reasonableness of assumptions and judgements made by the management of the Group on model adoption and parameters selection. We have examined the key data inputs to the ECL model on a sample basis to assess their accuracy and reasonableness.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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 of the Company.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the Company's 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 audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

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	**312,074**	221,338
Cost of sales		**(298,739)**	(240,653)
Gross profit (loss)		**13,335**	(19,315)
Other income	8	**11,048**	7,769
Administrative expenses		**(32,501)**	(27,914)
Finance costs	9	**(6,304)**	(5,265)
Loss before taxation	11	**(14,422)**	(44,725)
Income tax expenses	10	**(1,196)**	(774)
Loss and total comprehensive expense for the year		**(15,618)**	(45,499)
Loss and total comprehensive expense for the year attributable to:			
– Owners of the Company		**(15,598)**	(45,499)
– Non-controlling interest		**(20)**	–
		(15,618)	(45,499)
LOSS PER SHARE	15		
– Basic and diluted		**(1.50 HK cents)**	(4.39 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**138,935**	107,371
Deposits paid for acquisition of property, plant and equipment		**2,249**	4,038
Pledged deposits	20	**3,946**	2,157
		145,130	113,566
Current assets			
Trade receivables	17	**144,120**	138,714
Contract assets	18	**39,666**	37,132
Deposits, prepayments and other receivables	19	**20,335**	16,919
Income tax recoverable		**30**	2,288
Bank balances and cash	21	**13,507**	42,655
		217,658	237,708
Current liabilities			
Trade and other payables	22	**64,291**	35,219
Amount due to a related company	23	**260**	–
Bank and other borrowings	24	**26,676**	36,813
Obligations under finance leases	26	**–**	30,078
Lease liabilities	25	**47,026**	–
		138,253	102,110
Net current assets		**79,405**	135,598
Total assets less current liabilities		**224,535**	249,164

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Bank and other borrowings	24	–	11,353
Obligations under finance leases	26	–	26,563
Lease liabilities	25	26,591	–
Deferred tax liabilities	27	9,703	7,393
		36,294	45,309
Net assets		188,241	203,855
Capital and reserves			
Share capital	28	10,375	10,375
Reserves		177,882	193,480
Equity attributable to owners of the Company		188,257	203,855
Non-controlling interest		(16)	–
Total equity		188,241	203,855

The consolidated financial statements on pages 46 to 115 were approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

Wu Wing Hang
Director

Chan Tak Ming
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	**Other reserve** HK$'000 (Note)	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interest** HK$'000	**Total** HK$'000
At 1 April 2018	10,375	109,078	35,457	94,444	249,354	–	249,354
Loss and total comprehensive expense for the year	–	–	–	(45,499)	(45,499)	–	(45,499)
At 31 March 2019 and 1 April 2019	**10,375**	**109,078**	**35,457**	**48,945**	**203,855**	**–**	**203,855**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(15,598)**	**(15,598)**	**(20)**	**(15,618)**
Capital contribution from a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**4**	**4**
At 31 March 2020	**10,375**	**109,078**	**35,457**	**33,347**	**188,257**	**(16)**	**188,241**

Note: Other reserve represented the retained profits in respect of the construction machinery rental business (the "Construction Machinery Rental Business") contribution from the controlling shareholder prior to the transfer of business to the Group. Since 1 April 2015, the Construction Machinery Rental Business has been transferred from the controlling shareholder to Luen Yau Construction Company Limited ("Luen Yau Construction").

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(14,422)**	(44,725)
Adjustments for:		
Gain on disposal of property, plant and equipment	**(486)**	(5,936)
Bank interest income	**(1)**	(3)
Bad debt expenses	**–**	381
Loss allowance on trade receivables	**10,190**	7,683
Reversal of loss allowance on trade receivables	**(6,557)**	–
Loss allowance on contract assets	**1,060**	97
Finance costs	**6,304**	5,265
Depreciation of property, plant and equipment	**58,045**	51,201
Operating cash flows before movements in working capital	**54,133**	13,963
Decrease in inventories	**–**	5,362
(Increase) decrease in trade receivables	**(9,039)**	37,656
(Increase) decrease in contract assets	**(3,594)**	4,061
Increase in deposits, prepayments and other receivables	**(3,416)**	(2,556)
Increase (decrease) in trade and other payables	**29,072**	(11,244)
Decrease in contract liabilities	**–**	(264)
Cash generated from operations	**67,156**	46,978
Hong Kong Profits Tax refunded (paid)	**3,372**	(1,865)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**70,528**	45,113
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(41,056)**	(43,449)
Deposits paid for acquisition of property, plant and equipment	**(2,249)**	(4,038)
Placement of pledged deposits	**(1,789)**	(2,157)
Bank interest income received	**1**	3
Proceeds from disposal of property, plant and equipment	**6,636**	13,686
NET CASH USED IN INVESTING ACTIVITIES	**(38,457)**	(35,955)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(50,167)**	–
Interest paid	**(6,304)**	(5,265)
Repayment of bank borrowings	**(82,755)**	(92,194)
New bank borrowings raised	**77,743**	94,908
Repayment of obligations under finance leases	**–**	(41,307)
Advance from (repayment to) a related company	**260**	(86)
Capital contribution from a non-controlling shareholder	**4**	–
NET CASH USED IN FINANCING ACTIVITIES	**(61,219)**	(43,944)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(29,148)**	(34,786)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**42,655**	77,441
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**13,507**	42,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

Progressive Path Group Holdings Limited (the "Company") is a limited company incorporated in the Cayman Islands under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 December 2016. The immediate holding company and ultimate holding company of the Company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands (the "BVI"). The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of this annual report.

The Company is an investment holding company while the principal subsidiaries of the Company are principally engaged in the construction works, provision of construction machinery rental and trading of construction machinery.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "Group").

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

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The adoption of HKFRS 16 *Leases* resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 *Leases* introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16 *Leases*, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 *Leases* only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 *Leases* and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 *Leases* has been applied only to contracts entered into or changed on or after 1 April 2019.

The Group as lessee

On adoption of HKFRS 16 *Leases*, the Group recognised a lease liability in relation to a lease which had previously been classified as "operating lease" under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). This liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied to the lease liability on 1 April 2019 was 2.63%.

The Group recognises a right-of-use asset and measures it at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments to the lease. There is no impact on the opening balances of equity.

The Group leases a number of items of motor vehicles and machinery included in property, plant and equipment. These leases were classified as finance leases under HKAS 17 *Leases*. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 was determined at the carrying amount of the lease asset and lease liability under HKAS 17 *Leases* immediately before that date. Accordingly, the obligations under finance leases and other borrowings previously included in bank and other borrowings are now included within lease liabilities, and the carrying amount of the corresponding lease asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

Impacts on adoption of HKFRS 16 Leases (Continued)

The Group as lessor

The Group leases certain motor vehicles and machinery in related to revenue generating from construction machinery rental. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17 *Leases*.

The following table summarises the impact of transition to HKFRS 16 *Leases* at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	Notes	**Carrying amount previously reported at 31 March 2019** HK$'000	**Impact on adoption of HKFRS 16** HK$'000	**Carrying amount as restated at 1 April 2019** HK$'000
Property, plant and equipment	(a), (b) and (c)	107,371	1,380	108,751
Bank and other borrowings – current portion	(a)	36,813	(5,125)	31,688
Bank and other borrowings – non-current portion	(a)	11,353	(11,353)	–
Obligations under finance leases – current portion	(b)	30,078	(30,078)	–
Obligations under finance leases – non-current portion	(b)	26,563	(26,563)	–
Lease liabilities – current portion	(a), (b) and (c)	–	36,384	36,384
Lease liabilities – non-current portion	(a), (b) and (c)	–	38,115	38,115

Notes:

(a) Included in bank and other borrowings as at 31 March 2019 was approximately HK$16,478,000 which related to the purchase of machinery under sale-leaseback arrangement which in substance classified as finance leases are now included within lease liabilities under HKFRS 16 *Leases*. The carrying amount of the related assets of approximately HK$19,459,000 has been reclassified from machinery included in property, plant and equipment to right-of-use assets included in property, plant and equipment.

(b) The obligations under finance leases as at 31 March 2019 of approximately HK$56,641,000 are now included within lease liabilities under HKFRS 16 *Leases*. The carrying amounts of the machinery and motor vehicles under finance leases and included in property, plant and equipment of approximately HK$17,442,000 and HK$23,446,000 are reclassified to right-of-use assets included in property, plant and equipment.

(c) In addition to notes (a) and (b) above, as at 1 April 2019, right-of-use asset of approximately HK$1,380,000 was recognised and measured at the same amount of the lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

Impacts on adoption of HKFRS 16 Leases (Continued)

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 *Leases* were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17 *Leases*. The total cash flows are unaffected. The adoption of HKFRS 16 *Leases* has not resulted in a significant change in presentation of cash flows within the consolidated statement of cash flows.

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follows:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	1,470
Less: Short-term lease with remaining lease term ended on or before 31 March 2020	(70)
	1,400
Discounting using the incremental borrowing rate at 1 April 2019	(20)
Lease liabilities as at 1 April 2019	1,380
Analysed as:	
– Current portion	1,181
– Non-current portion	199
	1,380

Practical expedients applied

On the date of initial application of HKFRS 16 *Leases*, the Group has also used the following practical expedients permitted by the standard:

- the accounting for operating lease with a remaining lease term of less than 12 months as at 1 April 2019 as short-term lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[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 HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 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
5 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated results and the consolidated financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

Control is achieved where the Group has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's return.

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

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

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interest. 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 interest having a deficit balance.

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

Non-controlling interest, unless as required by another standards, is measured at acquisition-date fair value except for non-controlling interest that is present ownership interest and entitles its holder to a proportionate share of the entity's net assets in the event of liquidation are measured at fair value or at the present ownership instruments' proportionate share in the recognised amount of the acquiree's identifiable net assets on a transaction-by-transaction basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognised 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 or 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 good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties and discounts.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- Construction works; and
- Trading of construction machinery.

Construction works

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on an asset under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised over time using the cost-to-cost method, i.e. based on the proportion of the actual contract costs incurred relative to the estimated total budgeted contract costs. 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.

Trading of construction machinery

Revenue from trading of construction machinery is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of equipment).

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Input method)

Revenue from construction works is recognised over time.

The progress towards complete satisfaction of a performance obligation is measured based on input method. Input method recognises revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation.

Variable consideration

For contracts that contain variable consideration (variation order of construction work), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method; or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leasing

Accounting Policy applicable on or after 1 April 2019

Definition of a lease

Under HKFRS 16 *Leases*, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting Policy applicable on or after 1 April 2019 (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

All the lease payments included in the measurement of the lease liability are fixed lease payments.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses (see the accounting policy in respect of impairment losses on tangible assets below). They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets in "property, plant and equipment".

The Group applies HKAS 36 *Property, Plant and Equipment* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to the motor vehicles and machinery. Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Accounting policy applicable 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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable prior to 1 April 2019 (Continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at 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.

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits cost

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

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.

Prior to the adoption of HKFRS 16 *Leases*, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Right-of-use assets for motor vehicles and machinery are depreciated over their expected useful lives on the same basis as owned assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (the "CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a 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. 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.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses (the "ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including the ECL, to the amortised cost of the debt instrument on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, 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. If, in subsequent reporting periods, 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.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item (note 8).

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost and contract assets. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets and contract assets are estimated individually for significant outstanding balances or collectively using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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 for a particular debtor, e.g. a significant increase in the credit spread;
- 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;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if (i) the financial 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 financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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 the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor 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, or in the case of trade receivables, when the amounts are over 3 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of the ECL

The measurement of expected credit losses 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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as 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 original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of the ECL (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination; (ii) held-for-trading; or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition from construction works

The Group recognised contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the accumulated actual cost incurred to date over the total budgeted contract cost. Accordingly, revenue recognition from construction works involves a significant degree of management estimates and judgements, with estimates being made to assess the total budgeted contract cost and stage of completion of the contracts.

During the year ended 31 March 2020, the Group recognised revenue from construction works of approximately HK$118,353,000 (2019: HK$82,772,000).

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using the straight line method. The estimated useful life reflects the estimates of the periods made by the management of the Group that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

As at 31 March 2020, the carrying amount of property, plant and equipment are approximately HK$138,935,000 (2019: HK$107,371,000).

Impairment assessment of property, plant and equipment

The management of the Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. If there is indication of possible impairment identified by the management of the Group, the recoverable amount of property, plant and equipment would be determined based on value-in-use calculations. The value-in-use calculations were based on profit forecast and cash flows projection, with the use of estimates on the future profitability from construction works and construction machinery rental services.

As at 31 March 2020, the carrying amount of property, plant and equipment is approximately HK$138,935,000 (2019: HK$107,371,000). No impairment loss has been recognised for the years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Loss allowance on trade receivables and contract assets

In assessing the loss allowance made under the ECL model, the management of the Group used judgements and estimates to determine the historical credit loss experience and forward-looking information specific to the debtors and their economic environments.

As at 31 March 2020, the carrying amounts of the trade receivables and contract assets are approximately HK$144,120,000 (2019: HK$138,714,000) and HK$39,666,000 (2019: HK$37,132,000), net of accumulated loss allowance of approximately HK$17,618,000 (2019: HK$18,452,000) and HK$1,157,000 (2019: HK$97,000), respectively.

Loss allowance on trade receivables and contract assets of approximately HK$10,190,000 (2019: HK$7,683,000) and HK$1,060,000 (2019: HK$97,000) has been recognised during the year ended 31 March 2020.

Reversal of loss allowance on trade receivables of approximately HK$6,557,000 (2019: nil) has been recognised during the year ended 31 March 2020.

Income tax

As disclosed in note 27, no deferred tax asset has been recognised in respect of the estimated unused tax losses and of approximately HK$70,883,000 (2019: HK$45,642,000) due to the unpredictability of future profit streams. In addition, no deferred tax asset has been recognised in respect of deductible temporary difference of approximately HK$491,000 (2019: HK$180,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised. In case where the actual outcome differs from the management's assessment above, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the future.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 amount due to a related company in note 23, bank and other borrowings disclosed in note 24, obligations under finance leases in note 26, lease liabilities disclosed in note 25, net of bank balances and cash disclosed in note 21 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure semi-annually. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through issue of new debts or repayment of existing debts, payment of dividends and issuance of new shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	**168,863**	189,601
Financial liabilities		
Financial liabilities at amortised cost	**91,227**	139,442

Financial risk management objectives and policies

The Group's major financial assets and liabilities include deposits paid for life insurances, trade receivables, deposits and other receivables, pledged deposits, bank balances and cash, trade and other payables, amount due to a related company, bank and other borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included interest rate risk under market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk – interest rate risk

The Group is exposed to fair value interest rate risk in relation to deposits for life insurances, certain obligations under finance leases with fixed interest rate and certain bank and other borrowings with fixed interest rate. The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to bank balances with variable interest rate and, certain bank and other borrowings with variable interest rates and certain obligations under finance leases with variable interest rate. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollars denominated borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk – interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2019: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2019: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2020 would increase/decrease by approximately HK$216,000 (2019: HK$286,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank borrowings.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position.

The credit risk of our Group mainly arises from trade receivables, deposits for life insurances, deposits and other receivables and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the management of the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables with significant outstanding balances which are assessed individually, the Group determines the ECL on the remaining balances collectively by using a provision matrix grouped by common risk characteristic. The provision rate applied is estimated using the historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

For deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds and deposits for life insurances is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group has concentration of credit risk as 6% (2019: 5%) and 44% (2019: 14%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at 31 March 2020.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings assigned by international credit-rating agencies, the Group does not have any other significant concentration of credit risk.

The management of the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase, the management of the Group compares the risk of a default occurring on the asset as at the end of the reporting period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-art guarantees or credit enhancements;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the management of the Group has delegated a team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets and contract assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	31 March 2020 Gross carrying amount HK$'000	31 March 2020 Loss allowance HK$'000	31 March 2020 Net carrying amount HK$'000	31 March 2019 Gross carrying amount HK$'000	31 March 2019 Loss allowance HK$'000	31 March 2019 Net carrying amount HK$'000
Trade receivables	17	Note	Lifetime ECL (simplified approach)	161,738	(17,618)	144,120	157,166	(18,452)	138,714
Contract assets	18	Note	Lifetime ECL (simplified approach)	40,823	(1,157)	39,666	37,229	(97)	37,132
Deposits and other receivables	19	Performing	12-month ECL	7,290	–	7,290	6,075	–	6,075

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. Except for trade receivables with significant outstanding balances which are assessed individually, the management of the Group determines the ECL on the remaining balances collectively by using a provision matrix grouped by common risk characteristic. The provision rate applied is estimated using the historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 17 and 18 include further details on the loss allowance for these assets respectively.

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 of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank and other borrowings, lease liabilities, obligations under finance leases and banking facilities as a significant source of liquidity and the management monitors the utilisation of bank and other borrowings, lease liabilities and obligations under finance leases and ensures compliance with loan covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the end of the reporting period. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

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

	As at 31 March 2020				
	Within 1 year or on demand HK$'000	**1 to 2 years HK$'000**	**2 to 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Trade and other payables	**64,291**	**–**	**–**	**64,291**	**64,291**
Amount due to a related company	**260**	**–**	**–**	**260**	**260**
Bank borrowings	**27,053**	**–**	**–**	**27,053**	**26,676**
	91,604	**–**	**–**	**91,604**	**91,227**

In addition, the maturity profile of the Group's lease liabilities is as follows:

Lease liabilities	**52,294**	**23,393**	**4,007**	**79,694**	**73,617**

	As at 31 March 2019				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	34,635	–	–	34,635	34,635
Bank and other borrowings	38,916	6,471	5,932	51,319	48,166
Obligations under finance leases	32,152	27,543	–	59,695	56,641
	105,703	34,014	5,932	145,649	139,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

As at 31 March 2020, bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$26,676,000 (2019: HK$31,688,000). Taking into account the Group's consolidated financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash flows will amount to approximately HK$27,228,000 (2019: HK$33,034,000).

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of current and non-current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements are not materially differ from their fair values due to their immediate or short-term maturity or the interest rates used approximates to the discount rates of relevant financial assets or financial liabilities.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on construction works, construction machinery rental and trading of construction machinery. An analysis of the Group's revenue for the year is as follows:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
– Construction works	118,353	82,772
– Trading of construction machinery	–	6,530
	118,353	89,302
Revenue from other sources		
– Construction machinery rental	193,721	132,036
	312,074	221,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers by timing of recognition:

For the year ended 31 March 2020

	Construction works HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Timing of revenue recognition			
– Over time	**118,353**	**–**	**118,353**

For the year ended 31 March 2019

	Construction works HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Timing of revenue recognition			
– At a point in time	–	6,530	6,530
– Over time	82,772	–	82,772
	82,772	6,530	89,302

Transaction price allocated to the remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK$32,266,000 (2019: HK$70,351,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 18 (2019: 18) months.

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

Specifically, the Group's reportable segments are as follows:

- Construction works;
- Construction machinery rental; and
- Trading of construction machinery.

Segment revenues and results

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

For the year ended 31 March 2020

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Revenue				
External revenue	118,353	193,721	–	312,074
Inter-segment revenue	–	84,224	–	84,224
Segment revenue	118,353	277,945	–	396,298
Eliminations				(84,224)
Group revenue				312,074
Segment loss	(1,850)	(2,549)	–	(4,399)
Unallocated income				4,491
Unallocated corporate expenses				(8,210)
Unallocated finance costs				(6,304)
Loss before taxation				(14,422)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 March 2019

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Revenue				
External revenue	82,772	132,036	6,530	221,338
Inter-segment revenue	–	72,257	–	72,257
Segment revenue	82,772	204,293	6,530	293,595
Eliminations				(72,257)
Group revenue				221,338
Segment (loss) profit	(12,659)	(26,434)	851	(38,242)
Unallocated income				7,769
Unallocated corporate expenses				(8,987)
Unallocated finance costs				(5,265)
Loss before taxation				(44,725)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' salaries, certain other income and finance costs. This is the measure reported to the chief operating decision makers with respect to the resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates and mutually agreed by both contract parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets

	2020 HK$'000	2019 HK$'000
Construction works	**117,758**	138,438
Construction machinery rental	**217,253**	161,601
Trading of construction machinery	**–**	3,943
Total segment assets	**335,011**	303,982
Corporate and other assets	**27,777**	47,292
Total assets	**362,788**	351,274

Segment liabilities

	2020 HK$'000	2019 HK$'000
Construction works	**62,671**	74,826
Construction machinery rental	**73,275**	15,074
Trading of construction machinery	**–**	–
Total segment liabilities	**135,946**	89,900
Corporate and other liabilities	**38,601**	57,519
Total liabilities	**174,547**	147,419

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

– All assets are allocated to operating segments, other than pledged deposits, deposits and prepayments for life insurances, certain other receivables, income tax recoverable and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segment; and

– All liabilities are allocated to operating segments, other than certain other payables, amount due to a related company, bank and other borrowings and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

In measuring the Group's segment assets and liabilities, lease liabilities of approximately HK$73,617,000 (2019: obligations under finance leases of approximately HK$56,641,000) were allocated to construction works and construction machinery rental segments. However, the relevant interests on lease liabilities of approximately HK$4,966,000 (2019: interests on obligations under finance leases of approximately HK$3,901,000) were not included in the measurement of segment results. Should the interests on lease liabilities (2019: interests on obligations under finance leases) be included in the measurement of segment profit, the segment loss of construction works and construction machinery rental for the year ended 31 March 2020 would be approximately HK$4,823,000 and HK$4,542,000 respectively (2019: HK$16,464,000 and HK$26,530,000).

Other segment information

For the year ended 31 March 2020

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Unallocated HK$'000	Total HK$'000
Amounts include in the measure of segment profit (loss) or segment assets:					
Addition to non-current assets (note)	35,793	58,586	–	–	94,379
Deposits paid for acquisition of property, plant and equipment	853	1,396	–	–	2,249
Depreciation of property, plant and equipment	24,475	33,570	–	–	58,045
Loss allowance on trade receivables	3,865	6,325	–	–	10,190
Reversal of loss allowance on trade receivables	(2,487)	(4,070)	–	–	(6,557)
Loss allowance on contract assets	1,060	–	–	–	1,060
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Bank interest income	–	–	–	(1)	(1)
Gain on disposal of property, plant and equipment	–	–	–	(486)	(486)
Finance costs	–	–	–	6,304	6,304
Income tax expenses	–	–	–	1,196	1,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2019

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Unallocated HK$'000	Total HK$'000
Amounts include in the measure of segment profit (loss) or segment assets:					
Additions to non-current assets (note)	20,776	33,188	–	–	53,964
Deposits paid for acquisition of property, plant and equipment	1,556	2,482	–	–	4,038
Depreciation of property, plant and equipment	7,849	42,623	–	729	51,201
Loss allowance on trade receivables	1,605	6,078	–	–	7,683
Loss allowance on contract assets	97	–	–	–	97
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Bank interest income	–	–	–	(3)	(3)
Gain on disposal of property, plant and equipment	–	–	–	(5,936)	(5,936)
Finance costs	–	–	–	5,265	5,265
Income tax expenses	–	–	–	774	774

Note: Non-current assets excluded deposits paid for acquisition of property, plant and equipment and pledged deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A[1]	55,004	77,384
Customer B[2]	36,941	N/A[4]
Customer C[3]	33,887	N/A[4]

1 Revenue from construction works and construction machinery rental segments (2019: revenue from construction works, construction machinery rental and trading of construction machinery segments)

2 Revenue from construction machinery rental segment

3 Revenue from construction works segment

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

Geographical information

During the years ended 31 March 2020 and 2019, the Group is organised into three operating segments as construction works, construction machinery rental and trading of construction machinery primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these segments. Accordingly, no geographical information is presented.

8. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Sales of scrap materials	1,391	234
Insurance claims	995	352
Auxiliary and other service income	1,618	1,238
Gain on disposal of property, plant and equipment	486	5,936
Reversal of loss allowance on trade receivables	6,557	–
Bank interest income	1	3
Sundry income	–	6
	11,048	7,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interests on:		
– bank and other borrowings	**1,338**	1,364
– obligations under finance leases	**–**	3,901
– lease liabilities	**4,966**	–
	6,304	5,265

10. INCOME TAX EXPENSES

	2020 HK$'000	2019 HK$'000
Current tax:		
– Hong Kong Profits Tax	**–**	41
Over-provision in prior years:		
– Hong Kong Profits Tax	**(1,114)**	–
Deferred taxation (note 27)	**2,310**	733
Income tax expenses	**1,196**	774

Notes:

(a) Pursuant to rules 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.

(b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 March 2020 and 2019, Hong Kong profits tax of the qualified entities of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

10. INCOME TAX EXPENSES (Continued)

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

	2020 HK$'000	2019 HK$'000
Loss before taxation	**(14,422)**	(44,725)
Tax calculated at the domestic income tax rate of 16.5% (2019: 16.5%)	**(2,380)**	(7,380)
Tax effect of expenses not deductible for tax purpose	**489**	683
Tax effect of income not taxable for tax purpose	**–**	(1)
Tax effect of tax losses not recognised	**4,164**	7,496
Utilisation of tax losses previously not recognised	**–**	(4)
Tax effect of deductible temporary difference not recognised	**51**	–
Effect of two-tiered profits tax rates regime	**(8)**	–
Effect of tax exemption granted	**(6)**	(20)
Over-provision in prior years	**(1,114)**	–
Income tax expenses	**1,196**	774

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for both years of assessment 2019/2020 and 2018/2019 by 75%, subject to a ceiling of HK$20,000 for each entity respectively.

Details of the deferred taxation are set out in note 27.

11. LOSS BEFORE TAXATION

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs		
– Salaries, wages and other benefits	**108,460**	81,812
– Retirement benefits scheme contributions	**3,874**	3,049
Total staff costs (excluding directors' emoluments (note 12))	**112,334**	84,861
Auditor's remuneration	**894**	894
Bad debt expenses	**–**	381
Depreciation of property, plant and equipment	**58,045**	51,201
Loss allowance on trade receivables	**10,190**	7,683
Loss allowance on contract assets	**1,060**	97
Operating lease rentals related to office premises, storage area and staff quarters	**N/A**	838
Amount of inventories recognised as an expense	**–**	5,362
Exchange loss	**15**	27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. DIRECTORS' EMOLUMENTS

The emoluments paid to each of the 5 (2019: 5) directors were as follows:

Emoluments paid or receivable in respect of a person's services as a director	Fees	Salaries, allowances and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2020				
Executive directors				
Mr. Wu Wing Hang ("Mr. Wu") (note)	–	3,575	18	3,593
Mr. Chan Tak Ming (note)	–	390	18	408
Independent non-executive directors				
Mr. Lee Man Tai	105	–	–	105
Mr. Leung Ka Fai	105	–	–	105
Mr. Wong Yiu Kit, Ernest	105	–	–	105
	315	3,965	36	4,316
Year ended 31 March 2019				
Executive directors				
Mr. Wu (note)	–	3,575	18	3,593
Mr. Chan Tak Ming (note)	–	390	18	408
Independent non-executive directors				
Mr. Lee Man Tai	60	–	–	60
Mr. Leung Ka Fai	60	–	–	60
Mr. Wong Yiu Kit, Ernest	60	–	–	60
	180	3,965	36	4,181

Note: The emoluments includes emoluments paid to them in their capacity as employees of the subsidiaries of the Company.

No chief executive was appointed during the years ended 31 March 2020 and 2019.

The directors of the Company did not waive or agree to waive any emoluments paid by the Group during the years ended 31 March 2020 and 2019. No emoluments were paid by the Group to the directors of the Company as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments, one (2019: one) was director of the Company whose emoluments are set out in note 12. The emoluments of the remaining four (2019: four) highest paid individuals were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and other benefits	**5,120**	4,980
Contributions to retirement benefits scheme	**72**	72
	5,192	5,052

Their emoluments were within the following bands:

	2020 **Number of individuals**	2019 Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1

No emoluments were paid by the Group to the five highest paid individuals as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2020 and 2019.

14. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

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, representing loss for the year attributable to owners of the Company	**(15,598)**	(45,499)

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000 shares)	**1,037,500**	1,037,500

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in leasehold land and building HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Leasehold improvement HK$'000	Right-of-use assets HK$'000	Total HK$'000
COST							
At 1 April 2018	9,686	118,179	240,645	277	813	–	369,600
Additions	–	2,716	51,240	8	–	–	53,964
Disposals/write-off	–	(4,932)	(63,887)	–	–	–	(68,819)
At 31 March 2019	9,686	115,963	227,998	285	813	–	354,745
Impact on initial application of HKFRS 16 (note 2)	–	(69,867)	(92,751)	–	–	163,998	1,380
At 1 April 2019 (restated)	**9,686**	**46,096**	**135,247**	**285**	**813**	**163,998**	**356,125**
Additions	**–**	**1,849**	**43,239**	**6**	**–**	**49,285**	**94,379**
Disposals/write-off	**–**	**(132)**	**(18,590)**	**–**	**–**	**–**	**(18,722)**
At 31 March 2020	**9,686**	**47,813**	**159,896**	**291**	**813**	**213,283**	**431,782**
ACCUMULATED DEPRECIATION							
At 1 April 2018	452	74,431	181,836	107	416	–	257,242
Charge for the year	387	19,552	30,840	51	371	–	51,201
Eliminated on disposals/write-off	–	(2,747)	(58,322)	–	–	–	(61,069)
At 31 March 2019	839	91,236	154,354	158	787	–	247,374
Impact on initial application of HKFRS 16 (note 2)	–	(46,421)	(55,850)	–	–	102,271	–
At 1 April 2019 (restated)	**839**	**44,815**	**98,504**	**158**	**787**	**102,271**	**247,374**
Charge for the year	**387**	**569**	**20,334**	**49**	**26**	**36,680**	**58,045**
Eliminated on disposals/write-off	**–**	**(50)**	**(12,522)**	**–**	**–**	**–**	**(12,572)**
At 31 March 2020	**1,226**	**45,334**	**106,316**	**207**	**813**	**138,951**	**292,847**
CARRYING VALUES							
At 31 March 2020	**8,460**	**2,479**	**53,580**	**84**	**–**	**74,332**	**138,935**
At 31 March 2019	8,847	24,727	73,644	127	26	–	107,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Ownership interest in leasehold land and building	Over the shorter of the term of the lease, or 25 years
Motor vehicles	4 years
Machinery	4 years
Furniture and equipment	5 years
Leasehold improvement	2 years
Right-of-use assets	
– Building	Over the shorter of the term of the lease, or 25 years
– Motor vehicles	4 years
– Machinery	4 years

At 31 March 2020, the Group's ownership interest in leasehold land and building with carrying value of approximately HK$8,460,000 (2019: HK$8,847,000) have been pledged to secure banking facilities granted to the Group.

The carrying values of property, plant and equipment held under finance leases as at 31 March 2019 were as follows:

	31 March 2019 HK$'000
Machinery	17,442
Motor vehicles	23,446
	40,888

The carrying values of property, plant and equipment secured for the other borrowings of approximately HK$16,478,000 as at 31 March 2019 were as follows:

	31 March 2019 HK$'000
Machinery	19,459

Right-of-use assets included in the above comprise of:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Building	**197**	1,380
Motor vehicles	**23,479**	23,446
Machinery	**50,656**	36,901
	74,332	61,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group has lease arrangements for building, motor vehicles and machinery. The lease terms are generally ranged from 1.5 to 4 years.

In respect of lease arrangements for renting motor vehicles and machinery, the Group's obligations are secured by the lessors' title to the leased assets for such lease.

Additions to the right-of-use assets for the year ended 31 March 2020 amounted to approximately HK$49,285,000, due to new leases of motor vehicles and machinery.

17. TRADE RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables, at amortised cost	**161,738**	157,166
Less: loss allowance on trade receivables	**(17,618)**	(18,452)
	144,120	138,714

As at 31 March 2020, the gross amount of trade receivables arising from contracts with customers in respect of construction works amounted to approximately HK$17,844,000 (2019: HK$57,036,000).

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Group. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the invoice date at the end of the reporting period.

	2020 **HK$'000**	2019 HK$'000
Within 30 days	**25,204**	19,928
31 to 60 days	**31,109**	23,166
61 to 90 days	**1,884**	4,492
91 to 180 days	**23,279**	9,847
181 to 365 days	**17,601**	11,797
Over 365 days	**45,043**	69,484
	144,120	138,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. TRADE RECEIVABLES (Continued)

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated individually for significant outstanding balances or collectively using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on collectively basis and on individually basis as follows:

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
For the year ended 31 March 2020			
On collectively basis:			
– Not yet due	0%	27,031	–
– Past due 1–90 days	0%	45,289	–
– Past due 91–180 days	1.1%	7,820	87
– Past due 181–365 days	3.7%	2,707	99
– Past due 1–2 years	30.6%	4,748	1,452
– Past due over 2 years	100%	4,390	4,390
		91,985	6,028
On individually basis	5.6%–47.9%	69,753	11,590
		161,738	17,618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. TRADE RECEIVABLES (Continued)

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
For the year ended 31 March 2019			
On collectively basis:			
– Not yet due	0%	24,829	–
– Past due 1–90 days	0%	19,685	–
– Past due 91–180 days	1.5%	5,961	89
– Past due 181–365 days	9.5%	7,556	718
– Past due 1–2 years	58.5%	9,738	5,693
– Past due over 2 years	100%	4,404	4,404
		72,173	10,904
On individually basis	2.4%–19.1%	84,993	7,548
		157,166	18,452

The movement in the loss allowance on trade receivables falls within lifetime ECL-credit impaired is set out below:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**18,452**	10,769
Loss allowance recognised on trade receivables	**10,190**	7,683
Amounts recovered during the year	**(6,557)**	–
Amounts written off as uncollectible	**(4,467)**	–
At the end of the year	**17,618**	18,452

The Group writes off trade receivables when there is information indicating that the debtor 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, or when the amounts are over 3 years past due. The Group has taken legal action against the debtors to recover the amount due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Unbilled revenue of construction contracts (note (i))	**19,642**	14,933
Retention receivables of construction contracts (note (ii))	**21,181**	22,296
	40,823	37,229
Less: loss allowance on contract assets	**(1,157)**	(97)
	39,666	37,132

Notes:

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

(ii) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

The Group recognised lifetime ECL for contract assets based on individual significant customer or the ageing of customers collectively that are not individually significant as follows:

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
For the year ended 31 March 2020			
On individually basis	**2.8%**	**40,823**	**1,157**
For the year ended 31 March 2019			
On individually basis	0.3%	37,229	97

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. CONTRACT ASSETS (Continued)

The movement in the loss allowance on contract assets falls within lifetime ECL-credit impaired is set out below:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**97**	–
Loss allowance on contract assets	**1,060**	97
At the end of the year	**1,157**	97

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Deposits (note (a))	**1,189**	147
Prepayments	**8,894**	6,589
Staff advance (note (a))	**176**	320
Deposits and prepayments for life insurances (notes (a) and (b))	**10,076**	9,846
Other receivables (note (a))	**–**	17
	20,335	16,919

Notes:

(a) The Group measures the loss allowance for deposits and other receivables at an amount equal to 12-month ECL. The Group recognised 12-month ECL for other receivables based on the internal credit rating of receivables. As at 31 March 2020 and 2019, the directors of the Company estimates the 12-month ECL on other receivables was insignificant.

(b) On 27 January 2015, 15 February 2015 and 9 January 2017, Luen Yau Construction, the wholly-owned subsidiary of the Company, entered into life insurance policies with insurance companies in which Mr. Wu, the executive director of the Company, was the insured person while Luen Yau Construction was the owner of the life insurance policies. The Company paid an upfront payment with aggregate amount of approximately HK$9,651,000, for the policies. The balance has been classified under current assets as the Group may request a partial surrender or full surrender of the life insurance policies at any time and receive cash back based on the value set out in the life insurance policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged and surrender charge (the "Cash Value").

The prepayments of life insurance premium are amortised to profit or loss over the insured periods and the deposits placed are carried at amortised cost using the effective interest method. The deposits paid for the life insurance policies carry guaranteed interests at interest rates ranging from 3.65% to 3.9% (2019: from 3.65% to 3.9%) plus a premium determined by the insurance company during the period of the life insurance policies. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the life insurance policies, excluding the financial effect of surrender charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

The carrying value of deposits and prepayments for life insurance policies at the end of each reporting period are set out below:

	2020 **HK$'000**	2019 HK$'000
Deposits	**5,925**	5,591
Prepayments	**4,151**	4,255
	10,076	9,846

20. PLEDGED DEPOSITS

As at 31 March 2020, pledged deposits of approximately HK$3,946,000 (2019: HK$2,157,000) represented the deposits pledged to secure the lease liabilities (2019: other borrowings) which to be matured in 2022 (2019: 2022) and therefore classified as non-current assets.

The pledged deposits carried interest at prevailing market interest rates during the years ended 31 March 2020 and 2019.

21. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rates during the years ended 31 March 2020 and 2019.

22. TRADE AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables	**32,146**	14,911
Receipts in advance	**–**	584
Other payables	**16,693**	10,081
Accruals	**15,452**	9,643
	64,291	35,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. TRADE AND OTHER PAYABLES (Continued)

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Within 30 days	10,440	3,097
31 to 60 days	12,526	4,334
61 to 90 days	419	2,120
91 to 365 days	8,761	4,416
Over 365 days	–	944
	32,146	14,911

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

23. AMOUNT DUE TO A RELATED COMPANY

Details of amount due to a related company are as follows:

	2020 HK$'000	2019 HK$'000
Luen Yau Construction Company (note)	260	–

Note: The director of the Company, Mr. Wu, has direct or indirect interest in Luen Yau Construction Company.

The amount was unsecured, non-interest bearing and repayable on demand.

24. BANK AND OTHER BORROWINGS

	31 March 2020 HK$'000	1 April 2019 HK$'000	31 March 2019 HK$'000
Bank borrowings	26,676	31,688	31,688
Other borrowings	–	–	16,478
	26,676	31,688	48,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

24. BANK AND OTHER BORROWINGS (Continued)

	31 March 2020 HK$'000	1 April 2019 HK$'000	31 March 2019 HK$'000
Secured	**5,040**	6,078	22,556
Unsecured	**21,636**	25,610	25,610
	26,676	31,688	48,166

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	31 March 2020 HK$'000	1 April 2019 HK$'000	31 March 2019 HK$'000
Within one year	**22,702**	24,878	30,003
After one year but within two years	**1,057**	2,832	8,504
After two years but within five years	**2,156**	2,830	8,511
After five years	**761**	1,148	1,148
	26,676	31,688	48,166
Carrying amount of bank and other borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**3,974**	6,810	6,810
Carrying amount repayable within one year	**22,702**	24,878	30,003
Carrying amount repayable after one year	**–**	–	11,353
	26,676	31,688	48,166
Amount shown under current liabilities	**(26,676)**	(31,688)	(36,813)
Amount shown under non-current liabilities	**–**	–	11,353

(a) The bank and other borrowings were denominated in HK$ as at 31 March 2020 and 2019.

(b) As at 31 March 2020, bank borrowings carried interest at floating rates at ranging from 2% to 5.75% per annum (2019: 2.125% to 5.875% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

24. BANK AND OTHER BORROWINGS (Continued)

(c) During the year ended 31 March 2020, the Group obtained new bank borrowings of approximately HK$77,743,000 (2019: HK$94,908,000) and repaid bank borrowings of approximately HK$82,755,000 (2019: HK$92,194,000).

(d) During the year ended 31 March 2019, an indirect wholly-owned subsidiary of the Company entered into a sale-leaseback arrangement with an independent financial institution to sell and leaseback their twelve machines. Based on the substance of the sale-leaseback arrangement, the sale-leaseback arrangement was finance leases, whereby the lessor provided finance to the subsidiary of the Group, with the machines and pledged deposits as securities to the borrowings.

During the year ended 31 March 2019, the principal amount of sale-leaseback arrangement was approximately HK$20,007,000 bearing effective interest rate of 5% per annum. Pursuant to the terms of the sale-leaseback arrangements, the borrowings are repayable in March 2022. At the end of the lease term, the lessor is obliged to transfer the ownership of the machines to the Company.

Such balance has been reclassified to lease liabilities upon the adoption of HKFRS 16 *Leases* on 1 April 2019.

As at 31 March 2019, the carrying amounts of the secured machinery and pledged deposits were approximately HK$19,459,000 and HK$2,157,000 respectively.

(e) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2020 HK$'000	2019 HK$'000
Facility amount	**52,506**	63,233
Utilisations		
– Bank borrowings	**26,676**	31,688
Unutilised facility amount	**25,830**	31,545

As at 31 March 2020 and 2019, all banking facilities were secured by guarantees of the Company.

As at 31 March 2020 and 2019, one of the banking facilities was secured by guarantees provided by subsidiaries of the Company. One of the guarantees is supported by a mortgage charged over the Group's ownership interest in leasehold land and building with carrying value of HK$8,460,000 (2019:HK$8,847,000).

As at 31 March 2020, certain banking facilities were secured by deposits and prepayments for life insurances with carrying value of approximately HK$10,076,000 (2019: HK$9,846,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. LEASE LIABILITIES

(a) Lease liabilities

	31 March 2020 HK$'000	1 April 2019 HK$'000
Analysed for reporting purposes as:		
Current	47,026	36,384
Non-current	26,591	38,115
	73,617	74,499

	31 March 2020 HK$'000
Amounts payable under lease liabilities	
Within one year	47,026
After one year but within two years	22,677
After two years but within five years	3,914
	73,617
Less: amount due for settlement within 12 months (shown under current liabilities)	(47,026)
Amount due for settlement after 12 months	26,591

As at 31 March 2020, the lease liabilities in respect of leased motor vehicles and machinery under hire purchase agreements amounted to approximately HK$73,418,000 was secured by the lessor's title to the leased assets.

During the year ended 31 March 2020, the Group entered into a number of new lease agreements in respect of motor vehicles and machinery and recognised lease liability of approximately HK$49,285,000.

(b) Amounts recognised in profit or loss

	2020 HK$'000
Depreciation expense on right-of-use assets included in property, plant and equipment:	
– Building	1,183
– Motor vehicles	16,866
– Machinery	18,631
Interest expense on lease liabilities	4,966
Expense relating to short-term leases	560

During the year ended 31 March 2020, the total cash outflows for leases amounting to approximately HK$55,693,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26. OBLIGATIONS UNDER FINANCE LEASES

	31 March 2019 HK$'000
Current liabilities	30,078
Non-current liabilities	26,563
	56,641

It is the Group's policy to lease certain of its motor vehicles and machinery under finance lease. The average lease term is 4 years.

As at 31 March 2019, the Group has variable-rate finance leases of approximately HK$5,454,000 which carried interest in ranging from 5.64% to 9.45% per annum. The remaining balance was fixed-rate finance leases which carried interest in ranging from 3.81% to 7.35% per annum.

	As at 31 March 2019	
	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000
Amounts payable under finance leases		
Within one year	32,152	30,078
More than one year but less than two years	27,543	26,563
	59,695	56,641
Less: future finance charges	(3,054)	N/A
Present value of lease liabilities	56,641	56,641
Less: amounts due for settlement within 1 year (shown under current liabilities)		(30,078)
Amounts due for settlement after 1 year		26,563

As at 31 March 2019, the finance leases are secured by certain property, plant and equipment with carrying amounts of approximately HK$40,888,000 and guarantees provided by the subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

27. DEFERRED TAX LIABILITIES

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

	Loss Allowances on trade receivables and contract assets HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1 April 2018	1,777	(8,437)	(6,660)
Credited (charged) to profit or loss	1,284	(2,017)	(733)
At 31 March 2019 and 1 April 2019	3,061	(10,454)	(7,393)
Credited (charged) to profit or loss	37	(2,347)	(2,310)
At 31 March 2020	**3,098**	**(12,801)**	**(9,703)**

As at 31 March 2020, the Group has estimated unused tax losses of approximately HK$70,883,000 (2019: HK$45,642,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such estimated unused tax losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

As at 31 March 2020, the Group has deductible temporary difference of approximately HK$491,000 (2019: HK$180,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary share of HK$0.01 each		
Authorised		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000
Issued and fully paid		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,037,500,000	10,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

29. LEASE COMMITMENTS

The Group as lessee

The Group leases its office properties and storage area under operating lease arrangement. Lease is negotiated for an original term of two years. As at 31 March 2019, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	1,270
In the second to fifth years inclusive	200
	1,470

The Group is the lessee of the building which the leases were previously classified as operating leases under HKAS 17 *Leases*. The Group has initially applied HKFRS 16 *Leases* using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 25.

30. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure the banking facilities, other borrowings and finance leases granted to the Group:

	2020 **HK$'000**	2019 HK$'000
Property, plant and equipment	**82,595**	69,194
Deposits and prepayments for life insurance	**10,076**	9,846
Pledged deposits	**3,946**	2,157
	96,617	81,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

31. CONTINGENT LIABILITIES

As at 31 March 2020, one of the subsidiaries has been named as defendant in one (2019: two) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK$4,514,000 (2019: HK$7,699,000) in aggregate. The Directors considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 15 November 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7 December 2026. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

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 in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up on the date of grant, upon payment of HK$1.00. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme and during the years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. RELATED PARTY TRANSACTIONS

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

Name of company	Nature of transactions	Notes	2020 HK$'000	2019 HK$'000
Honrich Limited	Rental expenses for staff quarters	(i) & (ii)	**560**	350

Notes:

(i) The transaction was carried out at terms determined and agreed by the Company and the related party.

(ii) The director of the Company, Mr. Wu, has direct or indirect interest in the above-mentioned related party.

(b) Balances with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Company has no other material balances with related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. RELATED PARTY TRANSACTIONS (Continued)

(c) 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 benefits	**8,285**	8,195
Post-employment benefits	**90**	90
	8,375	8,285

34. RETIREMENT BENEFITS SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes 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, capped at HK$1,500 (2019: HK$1,500) per month, to the MPF Scheme, in which the contribution is matched by employees.

During the year ended 31 March 2020, the amount charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$3,910,000 (2019: HK$3,085,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Accrued interest HK$'000	Amount due to a related company HK$'000 (note 23)	Bank and other borrowings HK$'000 (note 24)	Obligations under finance leases HK$'000 (note 26)	Total HK$'000
At 1 April 2018	–	86	45,452	89,847	135,385
Financing cash flows:					
– Addition	–	–	94,908	–	94,908
– Repayment	(5,265)	(86)	(92,194)	(41,307)	(138,852)
Non-cash changes:					
– Interest recognised	5,265	–	–	–	5,265
– Addition	–	–	–	8,101	8,101
At 31 March 2019	–	–	48,166	56,641	104,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Accrued interest HK$'000	Amount due to a related company HK$'000 (note 23)	Bank and other borrowings HK$'000 (note 24)	Obligations under finance leases HK$'000 (note 26)	Lease liabilities HK$'000 (note 25)	Total HK$'000
At 1 April 2019 (as originally stated)	–	–	48,166	56,641	–	104,807
Impact on adoption of HKFRS 16 (note 2)	–	–	(16,478)	(56,641)	74,499	1,380
At 1 April 2019 (as restated)	–	–	31,688	–	74,499	106,187
Financing cash flows:						
– Addition	–	260	77,743	–	–	78,003
– Repayment	(6,304)	–	(82,755)	–	(50,167)	(139,226)
Non-cash changes:						
– Interest recognised	6,304	–	–	–	–	6,304
– New leases arrangement	–	–	–	–	49,285	49,285
At 31 March 2020	–	260	26,676	–	73,617	100,553

36. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2020, the Group entered into new lease arrangements in respect of motor vehicles and machinery with a total capital value at the inception of the leases of approximately HK$49,285,000 (2019: HK$8,101,000).

(b) During the year ended 31 March 2019, the Group transferred machinery with an amount of approximately HK$849,000 from inventories to property, plant and equipment (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2020 HK$'000**	2019 HK$'000
Non-current asset			
Investments in subsidiaries		**106,532**	106,532
Current assets			
Deposits, prepayments and other receivables		**164**	174
Amounts due from subsidiaries	(a)	**89,402**	78,748
Bank balances and cash		**131**	20,235
		89,697	99,157
Current liabilities			
Other payables		**1,962**	1,947
Amounts due to subsidiaries	(a)	**3,797**	3,797
		5,759	5,744
Net current assets		**83,938**	93,413
Net assets		**190,470**	199,945
Capital and reserves			
Share capital		**10,375**	10,375
Reserves	(b)	**180,095**	189,570
Total equity		**190,470**	199,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Movements in reserves

	Share premium HK$'000	**Other reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2018	109,078	106,532	(22,090)	193,520
Loss and total comprehensive expense for the year	–	–	(3,950)	(3,950)
At 31 March 2019 and 1 April 2019	109,078	106,532	(26,040)	189,570
Loss and total comprehensive expense for the year	–	–	(9,475)	(9,475)
At 31 March 2020	**109,078**	**106,532**	**(35,515)**	**180,095**

Note: Other reserve represents the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company upon the reorganisation on 13 May 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company Direct		Indirect		Principal activities
			2020	2019	2020	2019	
Neotime Global Limited	BVI	United States Dollar ("USD") 1	100%	100%	–	–	Investment holding
Lufa Global Investment Limited	BVI	USD1	100%	100%	–	–	Investment holding
Luen Yau Holdings Limited	BVI	USD100	100%	100%	–	–	Investment holding
Luen Yau Construction	Hong Kong	HK$1	–	–	100%	100%	Construction works, construction machinery rental services and trading of construction machinery
Luen Yau Machinery Construction Company Limited	Hong Kong	HK$1	–	–	100%	100%	Construction machinery rental service
Luen Yau Management Services Limited	Hong Kong	HK$1	–	–	100%	100%	Investment holding
Luen Yau Management Company Limited	BVI	USD1	–	–	100%	100%	Investment holding
Full King (International) Aluminum System Formwork Technology Limited (note)	Hong Kong	HK$100	–	–	51%	–	Inactive

Note: The company was incorporated during the year ended 31 March 2020.

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and (Loss) Profit					
Revenue	**312,074**	221,338	381,816	484,479	409,349
Cost of sales	**(298,739)**	(240,653)	(345,198)	(416,736)	(342,995)
Gross profit (loss)	**13,335**	(19,315)	36,618	67,743	66,354
Other income	**11,048**	7,769	8,176	5,954	3,101
Administrative expenses	**(32,501)**	(27,914)	(30,300)	(34,763)	(16,878)
Finance costs	**(6,304)**	(5,265)	(6,533)	(7,163)	(7,571)
(Loss) profit before taxation	**(14,422)**	(44,725)	7,961	31,771	45,006
Income tax expenses	**(1,196)**	(774)	(2,248)	(7,841)	(8,258)
(Loss) profit and total comprehensive (expense) income for the year	**(15,618)**	(45,499)	5,713	23,930	36,748
(Loss) profit and total comprehensive (expense) income for the year attributable to the owners of the Company	**(15,598)**	(45,499)	5,713	23,930	36,748
Loss and total comprehensive expense for the year attributable to non-controlling interests	**(20)**	–	–	–	–
	(15,618)	(45,499)	5,713	23,930	36,748
(Loss) earnings per share (HK$) Basic and diluted	**(1.50 cents)**	(4.39 cents)	0.55 cents	2.69 cents	4.45 cents

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Current assets	**217,658**	237,708	327,925	347,358	198,566
Non-current assets	**145,130**	113,566	113,923	150,811	137,734
Current liabilities	**(138,253)**	(102,110)	(130,292)	(179,628)	(144,980)
Non-current liabilities	**(36,294)**	(45,309)	(59,094)	(71,792)	(58,954)
Total equity	**188,241**	203,855	252,462	246,749	132,366