御佳控股有限公司
Royal Deluxe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3789

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

BOARD COMMITTEES

Audit Committee

Mr. Kwong Ping Man *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Sio Kam Seng

Remuneration Committee

Mr. Lai Ah Ming Leon *(Chairman)*
Mr. Kwong Ping Man
Mr. Sio Kam Seng
Mr. Wang Kei Ming

Nomination Committee

Mr. Sio Kam Seng *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Wang Kei Ming

Environmental, Social and Governance Committee

Mr. Kwong Ping Man *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Sio Kam Seng
Mr. Wang Kei Ming
Mr. Wang Yu Hin

COMPANY SECRETARY

Ms. Yim Sau Ping *(FCPA)*

AUTHORISED REPRESENTATIVES

Mr. Wang Kei Ming
Ms. Yim Sau Ping *(FCPA)*

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188 Lockhart Road,
Wanchai, Hong Kong

AUDITORS

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Central, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

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30 Harbour Road,
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Cayman Islands

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited

STOCK CODE

3789

WEBSITE

www.royal-deluxe.com

CHAIRMAN'S STATEMENT

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

RESULTS

In the Financial Year 2020, the Group achieved a revenue of approximately HK$706.7 million, representing an increase of approximately 17.2% comparing with the revenue of approximately HK$602.8 million for the year ended 31 March 2019 (the "**Financial Year 2019**").

The profit attributable to owners of the Company decreased by approximately 37.8% to approximately HK$27.0 million for the Financial Year 2020 from approximately HK$43.4 million for the Financial Year 2019.

The Group reported a gross profit of approximately HK$91.9 million for the Financial Year 2020, representing a decrease of approximately HK$14.6 million or approximately 13.7%, as compared to the gross profit of approximately HK$106.5 million for the Financial Year 2019 and reflecting the impact of the intensely competitive environment in the formwork subcontracting market.

Basic earnings per share was HK2.25 cents (2019: HK3.61 cents).

DIVIDEND

The Board of Directors proposed a final dividend of HK0.449 cents per ordinary share of the Company (the "**Shares**") each to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Monday, 28 September 2020. Subject to approval by the Shareholders in the forthcoming annual general meeting, this is the first cash dividend payment since the listing of the Group.

REVIEW OF OPERATIONS

In the Financial Year 2020, the Group has been awarded seven new contracts with total contract value of approximately HK$524.4 million (the Financial Year 2019: approximately HK$371.1 million), representing an increase of approximately 41.3% to that of the Financial Year 2019. Meanwhile, six subcontracting works were completed. As at 31 March 2020, there were eleven subcontracting works projects in progress with an estimated total outstanding value of approximately HK$629.8 million (31 March 2019: approximately HK$615.5 million). Subsequent to the year ended 31 March 2020 and as at the date of this annual report, the Group further secured three new contracts with total contract value of approximately HK$148.5 million. With the projects on hand, it is expected that the performance of the subcontract works will remain steady for the coming years.

CHAIRMAN'S STATEMENT

IMPACT OF THE OUTBREAK OF THE COVID-19 PANDEMIC

On the other hand, the novel coronavirus (the "**COVID-19**") pandemic in Hong Kong and countries worldwide had a temporary impact on the operations of the Group since January 2020, but those operations started to resume in late February 2020 and the Group's operations have gradually restored to normal level. Therefore, the COVID-19 pandemic has not had a material adverse effect on the revenue and operating results of the Group for the year ended 31 March 2020.

In response to the COVID-19 pandemic, the Group has stepped up its efforts to ensure a safe working environment at all its operational locations, in line with the recommendations of the Hong Kong Special Administrative Region (the "**HKSAR**") government and World Health Organisation. In Hong Kong, the Group has been dispensing face masks for its local workers and staff since mid-February 2020.

The Group will continue to pay close attention to the development of the COVID-19 pandemic outbreak and to evaluate its impact on the financial position, cash flow and operating results of the Group.

In the Financial Year 2020, the Group has been continuing its support for local communities. This includes making financial donations, actively supporting the apprenticeship program and enhanced-skill training schemes organised by the Construction Industry Council, offering education assistances to employees as well as co-organising the donation of surgical masks to the community.

OUTLOOK

Hong Kong's domestic economic growth remained weak in 2020. In the coming year, the economy will have to not only cope with the threat of the spreading of the COVID-19 pandemic, but also be clouded by concerns of an escalation of China-United States trade tensions and the persisting social unrest. More business closures and downsizing are expected in the coming months, unavoidably pushing the unemployment rate higher. In an attempt to stabilise the economy, the HKSAR government has launched a series of measures to assist the affected industries and public. Nevertheless, we believe that with the gradual mitigation and elimination of the pandemic, supply of the workforce and materials for construction industry are forecasted to rise, and this will drive down the construction costs, however, the gross profit margin of subcontract works may simultaneously be eroded as a result. As the contract sums have been confirmed, they have not posed adverse impact on its projects on hand, the Group will still pursue prudently when bidding the upcoming contracts in order to ensure the formwork subcontracting businesses maintain a reasonable gross profit margin.

Looking ahead, the recovery of the construction industry in Hong Kong will still be modest and it is expected that the HKSAR government will continue to maintain its capital expenditures at a high level. The Group will pay close attention to macroeconomic and industry market trends so that it could formulate forward-looking business strategies to proactively respond to changes in external business conditions.

It is believed that our technological innovation is a decisive factor in reinforcing our leading position driven to achieve sustainable growth. The challenging environment will last for a while and tender margins will deteriorate further if we compete only by the price. Therefore, the Group adheres to the implementation of the operational strategy of providing "High-quality work and flexible Solutions" and development strategy of "Construction Technical Innovation and optimized-customer design" to achieve sustainable business development. Employing our patent, the Smart Formwork Aluminum Tableform System (the "**Tableform**") has been approved as Advance Technological Solution by the Construction Innovation and Technology Fund (CITF) in 2019. The Tableform is an innovative on-site construction technology that promotes a great deal of advantages including higher productivity, less demand for formwork labor, less waste of materials, improved site safety, improved portability and shortened construction time. The Tableform would be in high demand that it would enhance our profit margins as well as competitiveness of our tender. During the Financial Year 2020, the Group received approvals from the People's Republic of China (the "**PRC**") government for 1 utility model patent, 3 Hong Kong short-term patents and 1 OAPI invention patent.

Same as the year before, in order to increase the transparency and accountability to various stakeholders on the Group's environmental, social and governance ("**ESG**") performance, we are pleased to present our ESG Report in this annual report which summarised our effort and performance in promoting and strengthening corporate social responsibility within the Group.

APPRECIATION

In closing, on behalf of the Board, I would like to express my heartfelt appreciation to our management team and all employees for the dedication and value they bring to the Group. I would also like to constantly extend my heartfelt gratitude to all our shareholders and business partners for their unwavering trust and relentless support all these years.

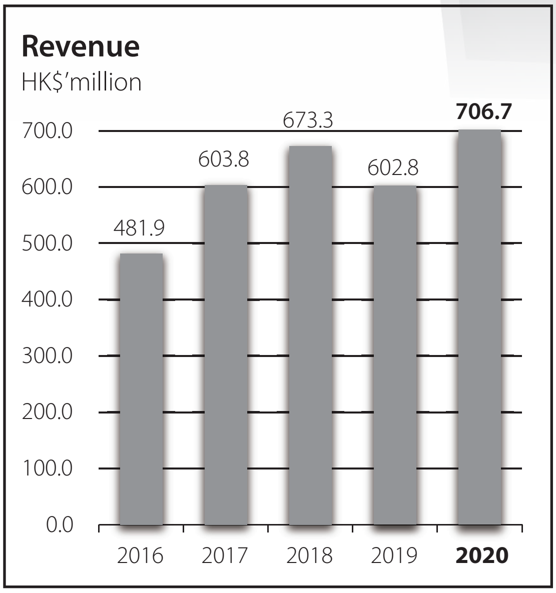
Royal Deluxe Holdings Limited
Wang Kei Ming
Chairman and Executive Director

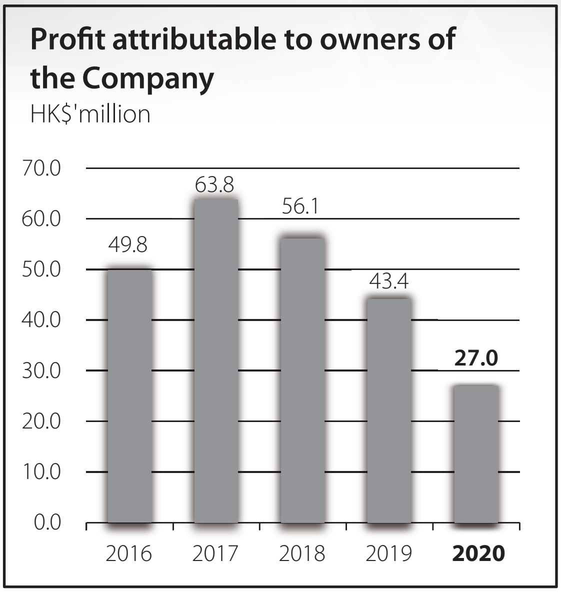
Hong Kong, 26 June 2020

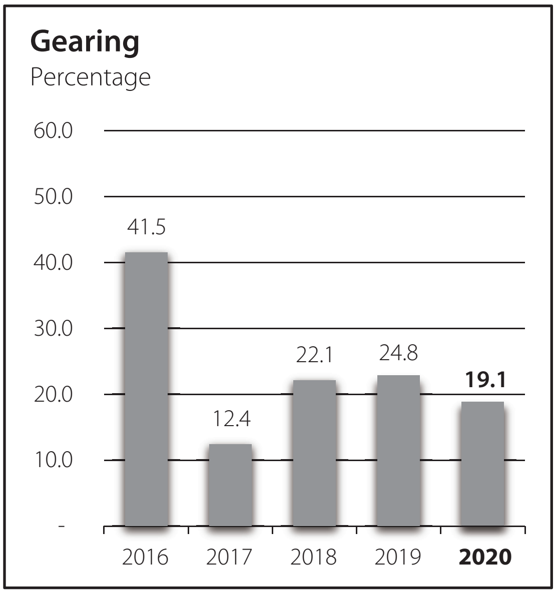
FINANCIAL HIGHLIGHTS

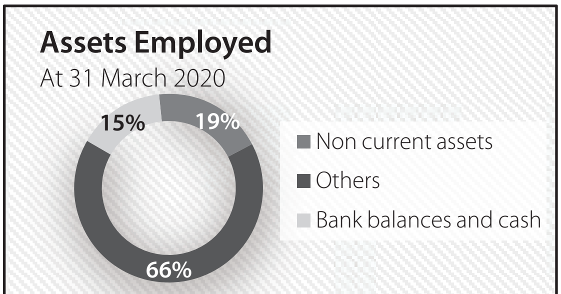
For the year ended 31 March	2020	2019	Change %
Financial Highlights (HK$' million)			
Revenue	**706.7**	602.8	17.2%
Gross profit	**91.9**	106.5	(13.7%)
Profit attributable to owners of the Company	**27.0**	43.4	(37.8%)
Financial Ratios			
Gross profit margin	**13.0%**	17.7%	(26.6%)
Current ratio	**1.9**	2.1	(9.5%)
Quick ratio	**1.9**	2.1	(9.5%)
Gearing ratio	**19.1%**	24.8%	(23.0%)
Debt to equity ratio	**N/A**	N/A	N/A
Return on equity	**10.9%**	19.7%	(44.7%)
Return on total assets	**6.2%**	11.8%	(47.5%)
Interest coverage	**13.1 times**	16.1 times	(18.6%)
Earnings per share attributable to owners of the Company (HK cents)			
– Basic and diluted	**2.25**	3.61	(37.7%)

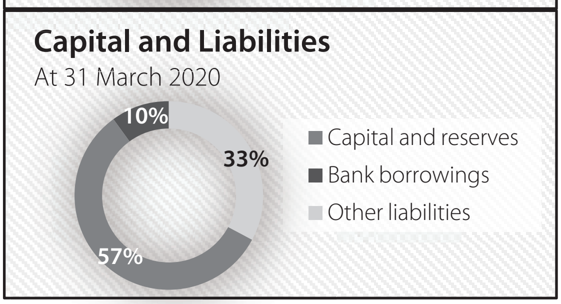
FINANCIAL HIGHLIGHTS











MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing formwork erection as well as ancillary services in Hong Kong. The Group started its formwork business since 1994 and has accumulated more than 25 years experience in the provision of its services in Hong Kong. The Group actively undertakes large-scale formwork erection projects for building construction and civil engineering works. The direct customers of the Group are main contractors of building construction and civil engineering projects while the ultimate customers are owners of the projects, which include the Government, public transport operators, theme park and property developers.

BUSINESS REVIEW

The Group's overall revenue for the Financial Year 2020 amounted to approximately HK$706.7 million, representing an increase of approximately 17.2% or HK$103.9 million as compared with that of approximately HK$602.8 million for the Financial Year 2019. For the Financial Year 2020, the Group recorded profit and total comprehensive income of approximately HK$26.9 million as compared to approximately HK$43.4 million for the Financial Year 2019.

(i) The increase in revenue was mainly attributable to several formwork building projects completed during the Financial Year 2020. Meanwhile the Group's major formwork civil engineering project for the construction of the Exhibition Station & Western Approach Tunnel (the "**SCL1123 Project**") and the Group's major formwork building projects for the construction of Tai Wai Station property development (the "**Tai Wai Projects**") were in full swing during the Financial Year 2020;

(ii) Despite the increase in revenue, the gross profit has declined due to increase in the proportion of revenue recognised during the year from formwork building projects, which generally yield lower gross profit margin as compared with formwork civil engineering project. The averagely lower gross profit margins of certain newly awarded formwork building projects during the Financial Year 2020 is due to the increase in competition in the construction market.

During the Financial Year 2020, the Group secured seven new contracts with total contract value of approximately HK$524.4 million, representing an increase of approximately 41.3% compared to that of approximately HK$371.1 million in the Financial Year 2019, all of these projects started contributing revenue to the Group during the Financial Year 2020, out of which one of these projects was completed. As at 31 March 2020, the Group has a total of eleven projects on hand with the estimated total outstanding value of approximately HK$629.8 million, representing an increase of approximately 2.3% as compared with the estimated total outstanding value of approximately HK$615.5 million for the Financial Year 2019. Subsequent to the Financial Year 2020 and as at the date of this annual report, the Group further secured a new formwork contract of L2 Contract for the Lyric Theatre Complex (LTC) and extended basement at the West Kowloon Cultural District with total contract value of approximately HK$145.0 million, a lift interior fit-out work and durlum eggcrate ceilings system works in RDE Building at M+ Museum of approximately HK$1.5 million and approximately HK$2.0 million respectively. With these projects on hand, it is expected that the performance of the subcontracted works will remain steady for the coming years.

Year of award/project	Role	Nature of contract	Status
Year 2017-2018			
14105 Tai Wai Station property development project (Zone B platform & tower T5-6)	Sub-contractor	Formwork	Work-in-progress
SCL1123/SC231 Exhibition Station and Western Approach Tunnel	Sub-contractor	Station formwork and concrete	Work-in-progress
Year 2018-2019			
M+ Museum project	Sub-contractor	ABWF Works in RDE Building of M+ Museum	Work-in-progress
J3699 The Fullerton Ocean Park Hotel Hong Kong (below Podium RC Structure – Pile Cap to 5/F.)	Sub-contractor	System Formwork	Work-in-progress
14105-08 Tai Wai Station property development project (Zone A skirting, platform & tower T1-3)	Sub-contractor	Formwork	Work-in-progress
Year 2019-2020			
CC2017-3A-030/SC1128 L1 Works for Lyric Theatre Complex and the Extended Basement project for WKCDA	Sub-contractor	Formwork	Work-in-progress
Pak Tin Estate Phase 7 & 8	Sub-contractor	External walls grinding works & unplastered masonry wall	Work-in-progress
18102 Skycity Commercial Development, site A3(B3-L1)	Sub-contractor	Formwork	Work-in-progress
C17104-0018 Cheung Shun Street property development project (Pile Cap and B3 Slab Carcase Works)	Sub-contractor	Formwork	Work-in-progress
J3828 Development of IE 2.0 Project C Advance Manufacturing Centre (the "**AMC**") at Tseung Kwan O Industrial Estate	Sub-contractor	System Formwork	Work-in-progress
J3699 The Fullerton Ocean Park Hotel (6/F.-TR/F.)	Sub-contractor	System Formwork	Work-in-progress

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$103.9 million, or 17.2%, from approximately HK$602.8 million for the Financial Year 2019 to approximately HK$706.7 million for the Financial Year 2020. Such increase was mainly attributable to higher revenue from the Group's major formwork civil engineering project for the construction of the SCL1123 Project and the Group's major formwork building projects for the construction of Tai Wai Projects which made significant progresses.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$14.6 million, or 13.7%, from approximately HK$106.5 million for the Financial Year 2019 to approximately HK$91.9 million for the Financial Year 2020. The decrease in gross profit was mainly because higher proportion of the Group's revenue was generated from formwork building projects, which generally yields average lower gross profit margin due to higher competition as compared with formwork civil engineering projects.

The Group's gross profit margin decreased from approximately 17.7% for the Financial Year 2019 to approximately 13.0% for the Financial Year 2020. The gross profit margin has declined due to decrease in the proportion of revenue recognised during the year from the completion of M+ Museum formwork building project which had relatively higher gross profit margin as compared with the Financial Year 2019, whereas the Tai Wai Projects and certain newly awarded formwork building projects yielded a lower gross profit margins during the Financial Year 2020.

Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise of staff costs (including directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses increased by approximately HK$8.8 million or 15.0%, from approximately HK$58.4 million for the Financial Year 2019 to approximately HK$67.2 million for the Financial Year 2020, which was primarily attributable to the increase in legal and professional fees incurred for an arbitration.

Finance costs

The Group's finance costs decreased by approximately HK$0.9 million or 24.5% from approximately HK$3.6 million for the Financial Year 2019 to approximately HK$2.7 million for the Financial Year 2020, primarily due to the decrease in average amount of bank and other borrowings and the decrease in average interest rate of bank borrowings.

Income tax expense

Income tax expense decreased by approximately HK$5.0 million or 45.0% from approximately HK$11.0 million for the Financial Year 2019 to approximately HK$6.0 million for the Financial Year 2020 primarily due to the decrease in profit before tax for the Financial Year 2020.

Profit and total comprehensive income for the year attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased by approximately HK$16.4 million or 37.8% from approximately HK$43.4 million for the Financial Year 2019 as compared to approximately HK$27.0 million for the Financial Year 2020. The net profit margin decreased by approximately 3.4 percentage points from approximately 7.2% for the Financial Year 2019 to approximately 3.8% for the Financial Year 2020.

USE OF PROCEEDS

The net proceeds from the listing of the shares of the Company on the Main Board of The Stock Exchange Hong Kong Limited (the"**Stock Exchange**") on 8 February 2017 (the "**Listing**") have been and will be utilised in accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 25 January 2017 (the "**Prospectus**") and the announcement of the Company dated 7 February 2017.

The below table sets out the utilisation of the net proceeds from the Listing as at 31 March 2020:

	Planned use of net proceeds as stated in the Prospectus HK$'000	**Actual use of net proceeds up to 31 March 2020** HK$'000	**Unutilised balance as at 31 March 2020** HK$'000
Funding the initial costs for an existing formworks project located in Yau Tsim Mong District	27,433	27,433	0
Used for acquisition of office premises	41,101	41,101	0
Used for the investment in the new information system	10,102	6,863	3,239
Used for repayment part of the outstanding bank borrowings and finance leases of the Group	10,399	10,399	0
Used as general working capital	9,607	9,607	0
	98,642	95,403	3,239

For information systems, the Company have implemented its building information modelling ("**BIM**") adoption and the Group's human resources management system upgrading projects, however, as workflow and programing design and training were all time consuming, they require longer time to complete phase by phase. Due to lack of standards and common demands from client in relation to BIM adoption in Hong Kong, the Company has used extended time to identify the suitable BIM platform for subcontractors and system vendors. The Company is currently in the progress of negotiation with BIM system vendors and seeking for a proposal which can satisfy the Company's needs. Therefore, the Company expects the unutilised amount of net proceeds shall be used during the year ended 31 March 2021.

The unutilised amount of the net proceeds from the Listing of approximately HK$3.2 million was deposited into licensed banks in Hong Kong.

As at the date of this annual report, the Directors do not anticipate any change to the plan as to the use of proceeds.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the Group' s current ratio was approximately 1.9 (31 March 2019: approximately 2.1).

As at 31 March 2020, the Group had total assets of approximately HK$435.0 million (31 March 2019: approximately HK$367.0 million), which is financed by total liabilities and total equity of approximately HK$188.0 million (31 March 2019: approximately HK$147.0 million) and approximately HK$247.0 million (31 March 2019: approximately HK$220.0 million), respectively.

As at 31 March 2020, the capital structure of the Group consisted of total equity of approximately HK$247.0 million (31 March 2019: approximately HK$220.0 million) and interest-bearing debts and lease liabilities of approximately HK$47.2 million (31 March 2019: approximately HK$54.7 million).

As at 31 March 2020, the Group had bank balances and cash of approximately HK$65.7 million (31 March 2019: approximately HK$92.7 million). As at 31 March 2020, the Group had interest-bearing debts and lease liabilities of approximately HK$47.2 million, which included bank and other borrowings and lease liabilities (31 March 2019: approximately HK$54.7 million).

Interest coverage (calculated by dividing profit before interest and tax by total interest expenses) decreased from 16.1 times for the Financial Year 2019 to 13.1 times for the Financial Year 2020, mainly due to the decrease in profit before interest and tax. The maturity and interest rate profile of the Group's borrowings are set out in note 24 to the consolidated financial statements.

The Group adopts a prudent approach to cash management. Apart from certain debts including bank loans, the Group did not have any material outstanding debts as at 31 March 2020. The Group maintains a variety of credit facilities to meet requirements for working capital. Payment to settle trade payables and wages represented the significant part of the cash outflow of the Group. As of 31 March 2020, the Group has available banking facilities of approximately HK$153.5 million (31 March 2019: approximately HK$143.2 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK$103.5 million (31 March 2019: approximately HK$69.8 million).

DEBT PROFILE

As at 31 March 2020, interest-bearing debt profile of the Group was analysed as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**28,258**	34,744
in the second year	**676**	4,775
In the third to fifth year inclusive	**2,198**	2,160
Over five years	**12,325**	12,997
Classified under:		
Current liabilities	**43,457**	54,676
Non-current liabilities	**–**	–

Note: As at 31 March 2020, bank loans balances with maturity that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of approximately HK$15.2 million (31 March 2019: approximately HK$19.9 million) have been classified as current liabilities together with bank loans balances with maturity repayable within one year.

During the Financial Year 2020, the Group had no financial instruments for hedging purpose. As at 31 March 2020, the Group had fixed-rate borrowings with total carrying amount of HK$13.5 million (2019: no fixed-rate borrowing).

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Commencing from 1 April 2019, the Group adopted a new accounting standard for leases (HKFRS 16), resulting in the recognition of lease liabilities of approximately HK$4.9 million at inception of a lease contract. The corresponding assets are shown as right-of-use assets on the consolidated statement of financial position.

The adoption of HKFRS 16 has resulted in increased depreciation and finance costs, offset by a reduction in operating lease rental. During the Financial Year 2020, the Group's depreciation of right-of-use assets amounted to approximately HK$2.4 million and interest on lease liabilities amounted to approximately HK$0.2 million.

TREASURY POLICY

The Group continues to follow a prudent policy in managing the Group's cash balances and maintain a healthy liquidity position. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. Internally generated cash flow and interest-bearing bank borrowings are the general source of funds to finance the operations of the Group. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

GEARING RATIO

As at 31 March 2020, the gearing ratio is calculated based on the total interest-bearing borrowings and lease liabilities divided by total equity, was approximately 19.1% (31 March 2019: approximately 24.8%). Such decrease was mainly due to the decrease in bank borrowings for financing on-going projects.

The Group's interest-bearing borrowings were primarily used in financing the working capital requirement of its operations, while the lease liabilities was for the lease of premise to support its operations.

CAPITAL EXPENDITURES

The Group generally finances its capital expenditures with internal resources and long-term bank borrowings. During the Financial Year 2020, the Group invested approximately HK$17.1 million in the acquisition of machinery and equipment, leasehold improvements, office equipment and motor vehicle.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had capital commitments of approximately HK$Nil (31 March 2019: approximately HK$130,000 contracted but not provided for the acquisition of property, plant and equipment).

PLEDGE OF ASSETS

As at 31 March 2020, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate net carrying value of approximately HK$44.0 million (31 March 2019: approximately HK$45.4 million).

As at 31 March 2020, the Group had pledged to bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 31 March 2020, the Group had a restricted time-deposit of approximately HK$3.0 million (31 March 2019: approximately HK$3.0 million) charging to a bank to secure general banking facilities granted to the Group.

As at 31 March 2020, the Group had a deed of charge for unlimited amount securing moneys due in respect of a factoring agreement with a bank for one construction contract.

As at 31 March 2020, the Group had charge over account with certain banks for general banking facilities.

THE RISK ON THE OPERATION AFFECTED BY THE COVID-19 PANDEMIC

Since early 2020, the outbreak of the COVID-19 pandemic has affected in Hong Kong and countries worldwide and as of the date of this annual report, and the battle for the prevention and control of the COVID-19 pandemic is still on-going. The World Health Organisation declared that the COVID-19 pandemic has become a public emergency of international concern. In the event that the COVID-19 pandemic continues, there exists an uncertainty of its impacts on the operation of the Group.

At present, the Group's business operations have been restored to normal. The management will continue to closely monitor the situation of the COVID-19 pandemic and assess its impacts on the Group in areas such as financial position and operating results, and will continue to strictly enforce the prevention and control measures to protect the safety of employees in accordance with the HKSAR government and World Health Organisation's epidemic prevention and control requirements. In the meantime, we will continue our best efforts to ensure the smooth execution of operation and management procedures for the stable operation of the Group, and also to satisfy the needs of our customers, in order to minimize the impact of the COVID-19 pandemic on the Group.

The Group has been implementing the following measures:

- monitoring the procurement of personal protection equipment (including but not limited to surgical masks and hand sanitizer) for staff and workers;

- mandatory body temperature check before entering works sites and those who have fever or respiratory symptoms shall be refrained from working and seek medical advice promptly;

- requesting staff and workers to wear surgical masks both at the office and works sites;

- mandatory health and travel declaration and those who return from the PRC and other countries shall be quarantined for 14 days before resumption of work;

- maintaining environmental hygiene and cleanliness of works sites; and

- placing health education materials on the COVID-19 pandemic at prominent areas of office and works sites.

FOREIGN CURRENCY EXPOSURE

The Group's borrowings, time deposits and bank balances are principally denominated in Hong Kong dollars ("**HK$**").

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to United States Dollars ("**US$**"), the management considers that there is no significant foreign exchange risk with respect to HK$. Therefore, the Group had not employed any financial instrument for hedging. The management monitors the exposure to foreign exchange risks and will consider hedging significant foreign currency exposure should and when appropriate.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Financial Year 2020. Save as disclosed herein, there was no other plan for material investments or capital assets as at 31 March 2020.

CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Arbitration" in this annual report, the Group had no material contingent liability as at the end of the reporting period (2019: Nil).

ARBITRATION

As reported in the annual report for the Financial Year 2019, Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company (the "**Applicant**") has initiated an arbitration (the "**Arbitration**") on 5 March 2019 against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "**Respondent**").

During the Financial Year 2020, the Applicant has filed its statement of claim in December 2019 and the Respondent has subsequently filed a request for further and better particulars of the statement of claims in February 2020. Due to the outbreak of COVID-19 pandemic, it has led to delay and complications in the work progress among the parties, and an extension for the statement of defence and counterclaim is required. Subsequent to the reporting period, a case management conference has been agreed to be held in July 2020 to ensure efficient conduct of the Arbitration proceedings.

Up to the date of this annual report, as the Arbitration proceeding has not been commenced, and the statement of defence and counterclaim from the Respondent has not been filed, the effects of the Arbitration on the Group cannot be fully assessed at this moment. Further announcement will be made by the Company in the event of any material development regarding the Arbitration if appropriate in due course.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Directors recognise that employees, customers, suppliers and subcontractors are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees, suppliers and subcontractors and improving the quality of services to the customers.

CUSTOMERS

The Group emphasizes its ability to deliver quality work on time to customers. The Directors consider that the Group has established and will be able to continue to maintain a good business relationship with customers and potential customers by delivering "High-quality Work and Flexible Solutions" as well as quality services. Meanwhile, the Group offers "Technical Innovation Processes and Optimized-customer Design" to the customers and the experience operational teams communicate with the customers on a regular basis during the course of subcontracted works to better understand, respond and give feedback, through various channels such as telephone, electronic mails and messages, physical meetings and online conferencing.

SUPPLIERS AND SUBCONTRACTORS

The Group maintains a pre-approved list of suppliers and subcontractors whose admission is subject to the background assessment, including track record, financial conditions, reputation, technical information, pricing and delivery. The Group will only enter into contracts with major suppliers for construction materials and subcontractors on a project-by-project basis without a long-term contract. The quality of the construction materials and the services shall be examined and payments are made according to the contract terms. Nevertheless, the list of suppliers and subcontractors are reviewed and updated from time to time by the Group. The Directors consider that the Group has maintained good business relationships with the suppliers and subcontractors. During the Financial Year 2020, there was no material dispute arising from them causing disruption to the operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 88 full-time employees (31 March 2019: 90 full-time employees). The Group offers a competitive remuneration package that is mainly based on industry practices and individual performance and experience. Remuneration package comprises of salary, a performance-based bonus and Mandatory Provident Fund contributions. Other forms of benefits such as staff medical and training programs are also provided. Employee bonus is distributed based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programs which are complementary to certain job functions. The total staff cost included in administration and other operating expenses (including remuneration of Directors and Mandatory Provident Fund contributions) for the Financial Year 2020 amounted to approximately HK$44.3 million (2019: approximately HK$38.9 million).

ENVIRONMENTAL POLICIES

The Group places emphasis on environmental protection when undertaking its formwork erection works and ancillary services. The Group also respects the environment and is committed to minimising its carbon footprints as a socially responsible enterprise in Hong Kong. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of ($CO2$) emission. Non-hazardous wastes produced from the Group mainly consist of construction waste such as used timbers, used paper such as office papers and marketing materials. To minimise the impact of carbon footprints on the environment, the Group has been implementing the following practices:

(i) fostering employees' awareness of their responsibilities for the environment and towards complying with environmental legislation and regulations;

(ii) taking into consideration the environmental impacts in project planning and the design of work method statements;

(iii) sorting materials from formwork works for recycling use or disposal, and disposing construction waste at designated dumping areas according to the relevant regulations;

(iv) encouraging employees to use both sides of paper;

(v) reminding employees to practice photocopying wisely;

(vi) separating paper from other waste for easier recycling;

(vii) placing boxes and trays beside photocopiers as containers to collect single-sided paper for reuse purpose; and

(viii) striving to achieve continual improvement of its performance and prevention of pollution.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. Typical commercial offices use more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce its carbon footprint. By adjusting the desired temperature of air conditioning and more natural lighting arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximise efficiency.

The Group also monitors continuously on the compliance with the customer's environmental protection requirements and relevant laws and regulations. During the Financial Year 2020, the Group had not been prosecuted by any governmental authority for any purported breach of any applicable environmental laws and regulations.

SEGMENT INFORMATION

Save as disclosed in note 5 to the consolidated financial statements, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 31 March 2020 and for the Financial Year 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

Uncertain external factors

Despite the construction industry being one of the traditional core industries in Hong Kong, it is currently benefiting from the large and long-term infrastructure projects by the HKSAR government, but the HKSAR government's budget and funding for civil engineering works projects may be adversely affected by any delay in the meetings of the Legislative Council. Furthermore, the construction industry may suffer adverse impact of the changes in government policies, trade tensions, financial deterioration and unanticipated natural disasters.

The Group is exposed to market risks according to the changes in the social, political and economic conditions in Hong Kong. Delays in project commencement, particularly projects in the public sector due to late approval of new funding, escalation in purchase price of construction materials or deployment of labour may affect project portfolios. The Directors have closely monitored works forecast by the HKSAR government, the number of new projects to be undertaken by the Housing Authority, tender results of commercial or residential sites so as to adjust the business strategies to participate in projects from public and private sectors. It is the responsibility of the executive Directors to identify and assess the prevailing economic condition and market risks and adopt different strategies from time to time to mitigate market risks. However, the future growth and profitability of the formwork industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong.

Uncertainty in successful tender

The Group's business relies on successful tenders that determine the award of contracts for formwork erection as well as related ancillary services. Given the non-recurring nature of these contract awards and the Group's long-term commitment with its customers, the number of contracts awarded to the Group may vary from year to year. Upon the completion of its contracts on hand, the Group's financial performance may be adversely affected if the Group is unable to secure new tenders or award new contracts with comparable contract sums or at all. The Formwork industry is highly competitive and the Group is required to build up good reputation and track record, maintain good relationships with customers, suppliers and subcontractors, ensure the availability of machinery and maintain competitive project pricing. If the competition among formwork construction subcontractors intensifies, the Group may be pressured to reduce the quotation, which would have an adverse impact on its financial performance.

Uncertainty in project delay

Any delay in a project would affect the Group's cash position. The Group has regular progress meetings with the main contractors, i.e. its customers, regarding each site's progress. The Group plans the deployment of labour and other resources accordingly. The Group's accounting and finance department also forecasts the works to be done in the forthcoming months in order to plan the liquidity and working capital use and reports to the executive Directors who then considers whether contingency plans are required.

As at the date of this annual report, the Group has only been notified by two suppliers that supply of system formwork materials were delayed due to closure of quarries in the Pearl River Delta region and other anti-epidemic measures announced by the PRC Government and that the temporary delays have been resumed in May 2020. Given that the management usually plan and order formwork materials in advance, such delays did not materially affect the progress of the on-going works of the Group.

Sustainable labour supply

The labour shortage and ageing problem have taken root in the construction industry for a number of years and the Group has leveraged on maintaining good relationships with its on-site and off-site employees and subcontractors. The Group has a list of approved subcontractors which the Group has reviewed and updated regularly to ensure they have maintained sufficient work force. The project team has regular meetings to discuss the deployment of labour, including the timing and number of workers required. The Group conducts early planning in the formwork design stage and recommends system formwork where possible since the assembling of system formwork demands less workmanship as compared to timber formwork and hence is less costly and requires less experienced workers, which in turn is expected to have a greater labour supply.

Unemployment rate in Hong Kong is on the rising trend as a result of social unrest and the outbreak of COVID-19 pandemic. The workforce supply for the construction industry is forecasted to rise, which may drive down the wage. However, the supply of formwork workers will not increase dramatically shortly thereafter.

FUTURE PROSPECTS

Looking ahead, despite the downturn in the Hong Kong economy caused by the uncertainties due to the continuing China-United States trade tension and the social unrest in Hong Kong since mid 2019 and the outbreak of COVID-19 pandemic since early 2020.

Taking into account the expansionary policy adopted by HKSAR government which it has committed to launch infrastructure projects to counteract economic downturn, the prospects for the construction industry will remain stable in the medium to long term. The management observed there has been increasingly intense competition in tendering for construction projects. However, as the longstanding subcontractor in the formwork erection industry in Hong Kong with a strong reputation and established record, the Group is well-positioned to compete with its competitors. Going forward, the Group will operate in a stable way in order to maintain steady and healthy development and it will reasonably allocate internal resources and continue looking for channels to expand its businesses into different areas of constructions and geographical areas to capture new business opportunities.

EVENTS AFTER THE REPORTING PERIOD

(a) The Board is pleased to announce that, subsequent to 31 March 2020, the Group has been awarded a formwork subcontract of L2 Contract for the Lyric Theatre Complex (LTC) and extended basement at West Kowloon Cultural District with total contract value of approximately HK$145.0 million, a lift interior fit-out work and the durlum eggcrate ceilings system works in RDE Building at M+ Museum of approximately HK$1.5 million and approximately HK$2.0 million respectively.

(b) Since the outbreak of the COVID-19 pandemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by the COVID-19 pandemic and will continue to evaluate its impact on the Group. Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

(C) Ming Tai Construction Engineering Company Limited is a subsidiary of the Company which has been registered as a Group 2 Registered Specialist Trade Contractors (the "**RSTCs**") under "So2-Concreting Formwork" and "So5-Erection of Concrete Precast Component" categories with confirmed status and are qualified to tender for the contracts/subcontracts of the designate trades under public works of unlimited value on or after 1 October 2020.

Save as disclosed above, the Board is not aware of any significant events requiring disclosure that have taken place subsequent to 31 March 2020 and up to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Kei Ming (王麒銘)

Mr. Wang Kei Ming ("**Mr. Joseph Wang**"), aged 58, is the chairman (the "**Chairman**") and an executive Director of the Company. Mr. Joseph Wang is responsible for the overall strategic management and development of the Group's business operations. Mr. Joseph Wang founded the Group in March 1994. He was appointed as director on 12 April 2016 and re-designated as an executive Director, the Chairman and chief executive officer of the Company (the "**Chief Executive Officer**") on 18 July 2016. He resigned as the Chief Executive Officer on 18 January 2018. Mr. Joseph Wang is also a member of each of the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the Environmental Social and Governance Committee (the "**ESG Committee**") of the Company. Mr. Joseph Wang was appointed as the director of Ming Tai Civil Engineering Company Limited on 28 March 1994 and the director of Ming Tai Construction Engineering Company Limited on 3 May 1999. Mr. Joseph Wang is a director of all other subsidiaries of the Group.

Mr. Joseph Wang has over 42 years of experience in the formwork construction industry, having entered the construction industry as a formwork construction apprentice in 1978. From 1981 to 1993, he continued to gather extensive knowledge and expertise in formwork construction industry by participating in different construction projects. Mr. Joseph Wang then established Ming Tai Civil Engineering Company Limited in March 1994 and expanded his business by establishing Ming Tai Construction Engineering Company Limited and Genuine Treasure Construction Technology Company Limited over the years. Mr. Joseph Wang was a committee member of the Hong Kong Construction Sub-contractors Association (香港建造業分包商聯會有限公司) from July 2012 to June 2015 and has been its vice president since July 2015. He was the vice president of the Hong Kong Formwork Contractors Association Limited (香港模板商會有限 公司) from March 2011 to May 2015 and has been its president since May 2015.

Mr. Joseph Wang is the spouse of Ms. Chao Lai Heng, the Chief Executive Officer, and the father of Mr. Wang Yu Hin, an executive Director of the Company.

Mr. Wang Yu Hin (王宇軒)

Mr. Wang Yu Hin ("**Mr. Benjamin Wang**"), aged 34, is an executive Director of the Company. Mr. Benjamin Wang is responsible for overseeing the Group's operation, business development, human resources, and finance and administration. Mr. Benjamin Wang was appointed as an executive Director on 18 July 2016. Mr. Benjamin Wang is also a member of the ESG Committee.

Mr. Benjamin Wang graduated with a Bachelor of Science with a major in Chemistry from the University of California, Los Angeles, in September 2006. Mr. Benjamin Wang continued to pursue his postgraduate education in biochemical science in the United States from October 2006 to late 2010. Mr. Benjamin Wang also completed an advanced workshop for general managers (總經理高級研修班) at the Tsinghua University Training Centre of Professional Managers (清華大學職業經理訓練中心) in July 2015. He had worked in Osstem Hong Kong Limited from May 2011 to September 2014 with his last position as assistant sales manager. He then joined Ming Tai Construction Engineering Company Limited as personal assistant to the director in September 2014 and was subsequently promoted to cost controller in January 2016. Mr. Benjamin Wang obtained a Certificate in Safety and Health for Supervisors (Construction) from the Occupational Safety and Health Council in August 2014. Mr. Benjamin Wang is appointed as Deputy Secretary of the Hong Kong Construction Sub-Contractors Association since July 2018. Mr. Benjamin Wang graduated from the EMBA-Global Asia programme offered by HKU Business School, Columbia Business School and London Business School in June 2019.

Mr. Benjamin Wang is the son of Mr. Joseph Wang, the Chairman, an executive Director and a Controlling Shareholder of the Company (the "**Controlling Shareholder**"), and the son of Ms. Chao Lai Heng, the Chief Executive Officer.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Ah Ming Leon (黎雅明)

Mr. Lai Ah Ming Leon ("**Mr. Lai**"), aged 63, was appointed as an independent non-executive Director on 17 January 2017. He is the chairman of the Remuneration Committee and a member of each of the audit committee of the Company (the "**Audit Committee**"), the Nomination Committee and the ESG Committee.

Mr. Lai obtained a Bachelor of Laws with Honours from the University of Wales, University College, Cardiff in July 1982 and subsequently completed a Postgraduate Certificate in Laws at the University of Hong Kong in July 1986. Mr. Lai has been a practising solicitor in Hong Kong and a member of the Law Society of Hong Kong since August 1988 and is the sole proprietor of a law firm in Hong Kong. He has also been an advocate and solicitor of the Supreme Court of Singapore since February 1995. He has been an independent non-executive director of Allan International Holdings Limited (stock code: 684) since December 1995.

Mr. Kwong Ping Man (鄺炳文)

Mr. Kwong Ping Man ("**Mr. Kwong**"), aged 55, was appointed as an independent non-executive Director on 17 January 2017. He is the chairman of each of the Audit Committee and the ESG Committee and a member of each of the Nomination Committee and the Remuneration Committee.

Mr. Kwong has rich experience in accounting and administration and is currently a director of O'Park Corporate Services Limited. He had previously worked as accountant, company secretary and chief financial officer at various private companies and companies listed on the Main Board of the Stock Exchange.

Mr. Kwong currently is the independent non-executive director of Dragon King Group Holdings Limited (Stock Code: 8493), Tang Palace (China) Holdings Limited (Stock Code: 1181) and Rare Earth Magnesium Technology Group Holdings Limited (Stock Code: 601).

Besides, Mr. Kwong had been an independent non-executive director of the following companies until he retired from his office: Century Sunshine Group Holdings Limited (Stock Code: 509) (formerly known as Century Sunshine Ecological Technology Holdings Ltd. (Stock Code: 8276)) until June 2019, Elegance Optical International Holdings Limited (Stock Code: 907) until April 2017, Hao Tian International Construction Investment Group Limited (formerly known as Clear Lift Holdings Limited) (Stock Code: 1341) until March 2017, Yat Sing Holdings Ltd. (Stock code: 3708) until March 2016 and China Candy Holdings Limited (Stock Code: 8182) until February 2016.

Mr. Kwong obtained a bachelor's degree in commerce accounting from Curtin University of Technology in Australia in August 1996, a postgraduate diploma in corporate administration (part-time) from the Hong Kong Polytechnic University in November 1998 and a master's degree in professional accounting from the Hong Kong Polytechnic University in November 2003. He is a member of the Australian Society of Certified Practicing Accountants (now known as CPA Australia), a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators respectively.

Mr. Sio Kam Seng (蕭錦成)

Mr. Sio Kam Seng ("**Mr. Sio**"), aged 61, was appointed as an independent non-executive Director on 17 January 2018. He is the chairman of the Nomination Committee and the member of each of the Audit Committee, the Remuneration Committee and ESG Committee.

Mr. Sio graduated from The Queen's University of Brighton in 2002 with a Bachelor of Science in Construction Engineering and Management. He obtained a Postgraduate Diploma and a master's degree in Business Administration from the University of Wales in 2005 and 2012, respectively. He is currently a member of the Institute of Certified Management Accountants and the Institute of Public Accountants in Australia, the Society of Environmental Engineers, the Chartered Institute of Building, the Hong Kong Institute of Directors, and the Hong Kong Management Association. He is also a fellow member of Life Management Institute, an associate member of the Chartered Institute of Arbitrators and a senior associate member of Australian and New Zealand Institute of Insurance and Finance.

Mr. Sio has over 22 years of experience in the insurance industry. Prior to joining the Group, he worked at HSBC Insurance Company Limited from 1989 to 1992 and his last position was area manager. He then served in Sime Insurance Brokers (HK) Ltd from 1993 to 1995 with his last position as assistant general manager. He then worked at Man Sang Holdings Inc from 1995 to 1997 and his last position was chief executive officer. He served in Howden Insurance Brokers (HK) Limited from 1998 to 2017 and his last position was chief executive officer. He has been a director of China Metro-Rural Holdings Limited since 2009, a company that develops and operates integrated agricultural logistics platforms and engages in rural-urban migration redevelopment in mainland China. He has also been a deputy chief executive officer of Lockton Companies (Hong Kong) Limited since 1 January 2018, a company that provides risk consulting and insurance broking services.

SENIOR MANAGEMENT

Ms. Chao Lai Heng (周麗卿)

Ms. Chao Lai Heng ("**Ms. Chao**"), aged 54, was appointed as the Chief Executive Officer on 18 January 2018. Ms. Chao is the indirect Controlling Shareholder of the Company.

Ms. Chao completed the advanced class of excellent leading (卓越領導高級研修班) in August 2013 and class of chairman of strategic emerging industries investment (戰略性新興產業投資董事長高級研修班) in June 2017 at the School of Continuing Education, Tsinghua University. Prior to joining the Company, Ms. Chao worked for Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company, in the position of Manager from 1 September 2012 to 31 December 2015, and was a director of Oi Shun Ming Building Construction Limited from 1 September 2006 to 31 August 2012. Ms. Chao has been a director of Chao Feng Holdings Limited since 1 January 2016, a company that manages various types of industrial, business and real estate investment.

Ms. Chao is the spouse of Mr. Joseph Wang, the Chairman, an executive Director and a Controlling Shareholder, and the mother of Mr. Benjamin Wang, an executive Director.

Mr. Chan Wing Seng (陳永成)

Mr. Chan Wing Seng ("**Mr. Chan WS**"), aged 53, is the financial controller of the Group. Mr. Chan WS is responsible for overseeing the Group's financial operations, legal affairs and strategic management.

Mr. Chan WS obtained a Certificate in Accountancy from the Tuen Mun Technical Institute in June 1988 and a Higher Certificate in Accountancy and a Post-experience Certificate in Accountancy from the Hong Kong Polytechnic University in November 1991 and October 1995, respectively. He then obtained his Master of Professional Accounting and Master of Corporate Governance through distance learning from The Open University of Hong Kong in June 2004 and June 2009, respectively. Mr. Chan WS has been an accredited accounting technician of the Hong Kong Association of Accounting Technicians since June 1990. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since September 1996 and each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since November 2009. Mr. Chan WS has also been a fellow member of the Association of Chartered Certified Accountants since June 2001. He completed the Construction Safety Supervisor Course held by the Construction Industry Council in June 2015.

Mr. Chan WS joined the Group in May 2013. Prior to joining the Group, Mr. Chan WS served in Yeebo LCD Limited (stock code: 259) from 2005 to 2006 with last position as financial controller. He then worked in Hung Wan Construction Company Limited from 2006 to 2012 and his last position was financial controller. During 2012, he worked in Gemdale Properties and Investment Corporation Limited (stock code: 535) and his last position was senior manager – finance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Yiu Kwok (陳耀國)

Mr. Chan Yiu Kwok ("**Mr. Chan YK**"), aged 59, is the commercial director of the Group. He joined the Group as commercial director in August 2011. Mr. Chan YK is primarily responsible for overseeing the Group's quantity surveyance, contract disputes and litigations. Mr. Chan YK obtained a Certificate in Building Studies from Morrison Hill Technical Institute of Vocational Training Council Hong Kong in July 1983 and a Higher Certificate in Building Studies from the Hong Kong Polytechnic University in November 1987. He then obtained an Associate Diploma in Engineering (Electrical Engineering) from the Southern Sydney Institute of the New South Wales Technical and Further Education Commission in July 1995, and received his Bachelor of Applied Science in Construction Management and Economics from Curtin University of Technology in Australia in April 2001.

Mr. Chan YK has been a Registered Professional Surveyor in the Quantity Surveying Division of the Surveyors Registration Board of Hong Kong since July 2007. Mr. Chan YK became associate member in Quantity Surveying Division of The Society of Surveying Technicians in 1990 and member each of The Association of Cost Engineers in 2000, The Association for Project Management in 2001, The Australian Institute of Building in 2001, The Chartered Institute of Building in 2002, The Chartered Institution of Civil Engineering Surveyors in 2003 and The Hong Kong Institute of Surveyors in 2005. In 2004, he also became a professional member of The Royal Institution of Chartered Surveyors.

Prior to joining the Group, Mr. Chan YK worked in Nishimatsu Construction Company Limited with his last position as senior quantity surveyor from 1995 to 1998. He then served in Chun Wo Construction & Engineering Company Limited and his last position was assistant quantity surveying manager from 1999 to 2001. From 2001 to 2011, he worked in Maeda Corporation and his last position was quantity surveying manager.

Mr. Ng Ho Lam (吳浩霖)

Mr. Ng Ho Lam ("**Mr. Ng**"), aged 44, is the general manager of the Group. Mr. Ng is primarily responsible for daily monitoring and management of the projects.

Mr. Ng has over 28 years of experience in the construction industry. He started working as a construction worker from 1991 to 1999 in various construction companies in Hong Kong after completing Form 5 of secondary education. Prior to joining the Group, Mr. Ng worked as a foreman at Shui Wing Engineering Co. Ltd. (瑞榮工程有限公司) from 2000 to 2008 and as a director at Lik Wah Engineering Limited (力華工程有限公司) from 2008 to 2010. Mr. Ng joined the Group as assistant project manager in March 2010 and was subsequently promoted to project manager in April 2011, senior project manager in September 2013 and deputy project director in December 2015, respectively. He was promoted to his current position in April 2018.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏)

Ms. Yim Sau Ping ("**Ms. Yim**"), aged 37, prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), now known as Boill Healthcare Holdings Limited, a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on GEM, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of seven companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017 respectively. She has accumulated more than 11 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust and safeguarding interest of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control stringent disclosure practices and transparency and accountability to all stakeholders.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In the opinion of the Board, the Company has fully complied with the CG Code throughout the year.

The key corporate governance practices of the Group are summarised as follows:

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standards of dealing set out in the Model Code and there was no event of non-compliance throughout the year.

DIRECTORS' RESPONSIBILITIES AND DELEGATION

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1) To develop and review the policies and practices on corporate governance of the Group and make recommendations;

2) To review and monitor the training and continuous professional development of the Directors and the senior management;

3) To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4) To develop, review and monitor the code of conduct applicable to the Directors and the employees of the Group; and

5) To review the Company's compliance with the CG Code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report of the Company.

BOARD COMPOSITION

The Board currently comprises two executive Directors and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

Biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" in this annual report.

The current proportion of independent non-executive Director is higher than what is required by Rule 3.10A, 3.10(1) and (2) of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company which has been renewed in current year and is commencing from 8 February 2020. The letters of appointment of Mr. Lai, Mr. Kwong and Mr. Sio have been renewed in current year and are for an initial term of three years commencing from 8 February 2020. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Company's memorandum and articles of association and the applicable Listing Rules.

Pursuant to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every 3 years. Article 112 of the Company's memorandum and articles of association provides that any Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after their appointment and are subject to re-election by shareholders of the Company. Any Director appointed by the Board, as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. Benjamin Wang and Mr. Kwong will retire from office at the forthcoming annual general meeting of the Company to be held on Friday, 18 September 2020. Each of them, both being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Benjamin Wang as an executive Director and Mr. Kwong as an independent non-executive Director.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Joseph Wang was the Chairman of the Board and Ms. Chao is the Chief Executive Officer throughout the year.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as to ensure that the interests of all shareholders of the Company are taken into account. The requirement regarding the representation of independent non-executive Directors is, that there must be more than one-third of the members of the Board with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Financial Year 2020, the Company has provided these training courses and all Directors have attended at least one training course on the updates of the Listing Rules concerning good corporate governance practices.

BOARD COMMITTEES

The Board has established four Board committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee and the ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.royal-deluxe.com. All Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expenses.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, carrying out training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. During the Financial Year 2020, the chairman held at least one meeting with the independent non-executive Directors without the presence of other executive Directors.

Details of all Directors' attendance at Board meetings and Board's committee meetings held during the Financial Year 2020:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	ESG Committee Meeting (Note)	Annual General Meeting
	Number of Meetings Attended/Held					
Executive Directors:						
Mr. Wang Kei Ming	3/4	–	2/3	1/1	–	1/1
Mr. Wang Yu Hin	3/4	–	–	–	–	1/1
Independent Non-executive Directors:						
Mr. Lai Ah Ming Leon	4/4	2/2	3/3	1/1	–	1/1
Mr. Kwong Ping Man	4/4	2/2	3/3	1/1	–	1/1
Mr. Sio Kam Seng	4/4	2/2	3/3	1/1	–	1/1

Note: ESG Committee was established on 31 March 2020.

AUDIT COMMITTEE

The Audit Committee was established on 17 January 2017. The chairman of the Audit Committee is Mr. Kwong, the independent non-executive Director, and other members include Mr. Lai and Mr. Sio, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules which mandate that the Audit Committee must comprise a minimum of three members, comprising non-executive Directors only, the majority of the members of the Audit Committee must be independent non-executive Directors and must be chaired by an independent non-executive Director. At least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Financial Year 2020, the Audit Committee held two meetings to (i) review the condensed consolidated financial statements for the six months ended 30 September 2019; (ii) review the reports from the auditors, accounting principles and practices adopted by the Group, management representation letters and management's response in relation to the annual results for the Financial Year 2019; (iii) review the consolidated financial statements for the Financial Year 2019; and (iv) review the Company's internal control procedures and risk management system and recommend the same to the Board for approval.

The Group's consolidated financial statements for the Financial Year 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Financial Year 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 17 January 2017. The chairman of the Remuneration Committee is Mr. Lai, the independent non-executive Director, and other members include Mr. Joseph Wang, the Chairman and the executive Director, Mr. Kwong and Mr. Sio, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The principle role and functions of the Remuneration Committee are to review the remuneration packages of individual executive Directors and key executives, including salaries, bonuses, benefits in kind and the terms of which they participate in any share options and other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration and making recommendations to the Board from time to time. The Remuneration Committee has reviewed the remuneration packages and remunerations of Directors and senior management and considered that they are fair and reasonable for the Financial Year 2020. No Director or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 17 January 2017. The chairman of the Nomination Committee is Mr. Sio, the independent non-executive Director, and other members include Mr. Joseph Wang, the Chairman and the executive Director, Mr. Lai and Mr. Kwong, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and the Company's website.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, the independence of independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of Director. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

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.

During the Financial Year 2020, the Nomination Committee reviewed and recommended the establishment of the ESG Committee for the Board's approval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The ESG Committee was established on 31 March 2020. The chairman of ESG Committee is Mr. Kwong, the independent non-executive Director, and other members include Mr. Joseph Wang, the Chairman and the executive Director, Mr. Benjamin Wang, the executive Director, Mr. Lai and Mr. Sio, the independent non-executive Directors. The written terms of reference of the ESG Committee are posted on the Stock Exchange's website and the Company's website.

The ESG Committee is responsible for reviewing the Company's environmental, social and governance policies and practices and monitoring the implementation of the same. Two subcommittees, the ESG Working Group ("**ESGWG**") and the Corporate Safety, Health and Environmental Committee ("**CSHEC**"), are delegated by the ESG Committee in order to ensure sufficient Board oversight of and input into ESG management strategy. The ESGWG monitors material ESG aspects within the operations, while the CSHEC is specific established for the corporate safety, health and environmental policies operations.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim as its Company Secretary. Ms. Yim possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Joseph Wang, the Chairman and an executive Director, is the primary contact person for Ms. Yim.

For the Financial Year 2020, Ms. Yim undertook no less than 15 hours of relevant professional training to develop her skills and knowledge. The biographical details of Ms. Yim is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider Board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of this Board Diversity Policy.

The Nomination Committee will review this Board Diversity Policy, as appropriate, to ensure the effectiveness of this Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the directors of the Company. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Re-election of Director at General Meeting

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the Criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria.

The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

Review of Nomination Policy

The Nomination Committee will launch a formal process to review this Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Disclosure of Nomination Policy

A summary of this Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment are performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the Financial Year 2020 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the Financial Year 2020 as required under code provision C.2.5 of CG Code. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the financial statements audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

AUDITORS' REMUNERATION

During the Financial Year 2020, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	**Remuneration paid/payable HK$'000**
Audit services	
– Statutory audit services	1,200
Non-audit services	
– Assisting in reviewing the disclosure of interim financial report	180
	1,380

SHAREHOLDERS' RIGHT

One of the measures to safeguard shareholders' interest and rights is to separate resolutions proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the Company's memorandum and articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- defines the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguards the confidentiality of the inside information before it is properly disclosed to public; and

- communicates with the Group's stakeholders, including shareholders, investors, analysts, etc. in accordance with procedures which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with its shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.royal-deluxe.com;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company continues to promote investor relations and enhance communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the Financial Year 2020, there was no change in the Company's memorandum and articles of association.

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OUR CORPORATE'S VISION, MISSION AND VALUE

VISION

Becoming one of the most environmentally conscious and influential formworks services providers in Hong Kong.

CORPORATE VALUE

Safety | Integrity
Excellence | Innovation

MISSION

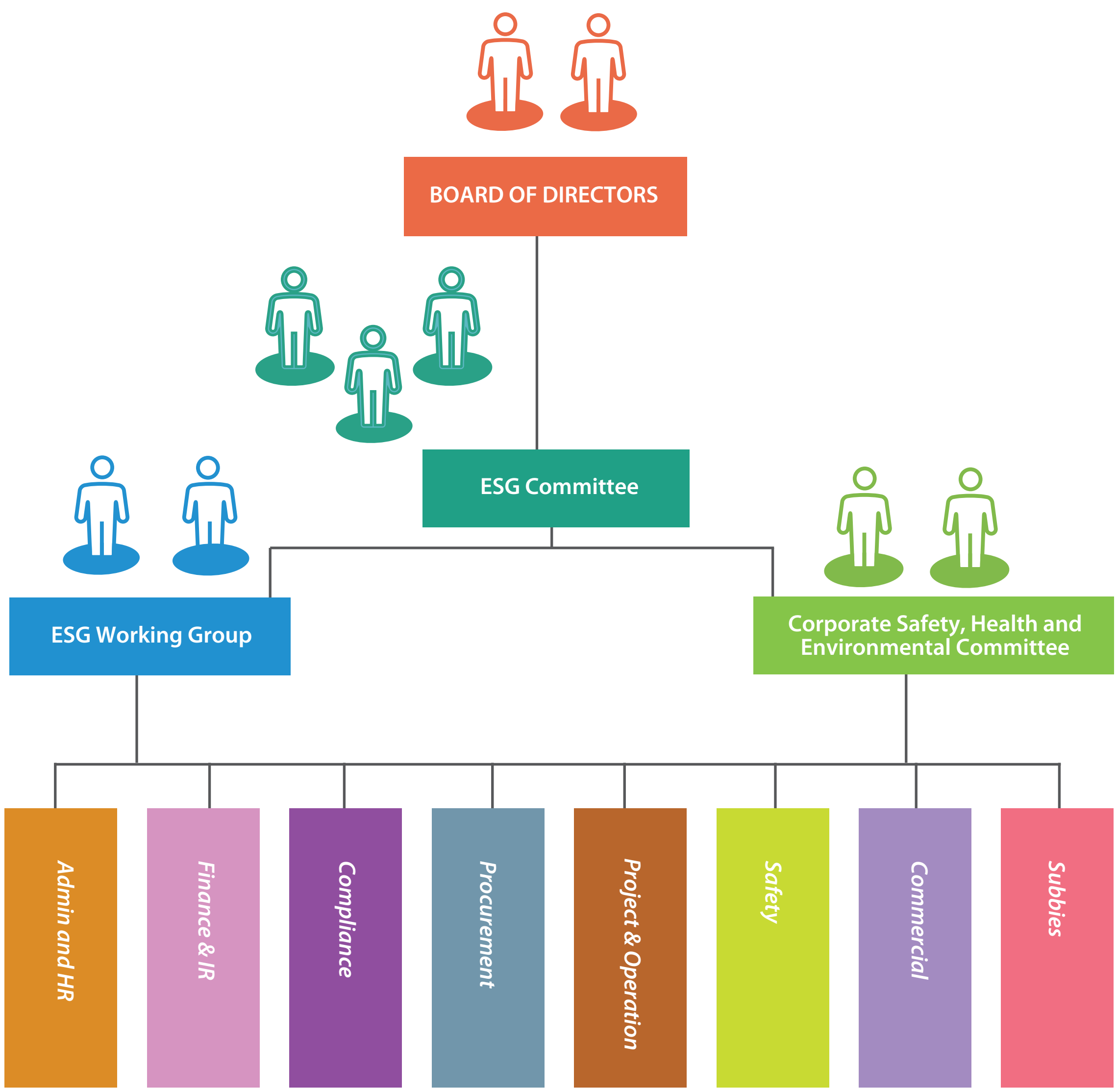
Provide comprehensive and one-stop professional formworks services and engineering solutions;
Maximize customer value while sustaining a safer, more environmentally friendly and cost-effective construction environment;
Establish long-term relationships with customers, employees, and suppliers.

OUR MANAGEMENT APPROACH

The Group acknowledges the need to have an effective and strong governance structure for our sustainability issues. In March 2020, the Board has established an environmental, social and governance (the "**ESG**") committee (the "**ESG Committee**"), with the purpose to support our continuous commitment to protecting the environment, improving health and safety, corporate social responsibility, corporate governance, and the sustainability policy that significantly affect the operation of the Group and/or the interests of our stakeholders in the ESG aspects.

The ESG Committee is led by the Board of the Group and comprises two Executive Directors ("**ED**"), three Independent Non-executive Directors ("**INED**") and senior management from the operations and professional teams, who meet at least once per annum to discuss ESG issues. Mr. Kwong Ping Man, an INED, was appointed by the Board as the Chairman of the ESG Committee.

The ESG Committee oversees sustainability strategies and ESG initiatives of the Group, the ESG Working Group (the "**ESGWG**") and the Corporate Safety, Health and Environmental Committee (the "**CSHEC**") are established to support the ESG Committee in promoting sustainability. The ESGWG monitors material ESG aspects of the large-scale formwork erection projects, while the CSHEC is specifically established for monitoring the corporate safety and health, and environmental operations policies.



OUR ESG COMMITMENT

The Board understands its responsibility and is committed to lead and steward the Group with the aim to achieve long-term returns and generate a positive impact on the society and the environment. By assessing and evaluating ESG-related risks and reporting performance, we are able to ensure operational reliance and compliance with the relevant legal and regulatory requirements.

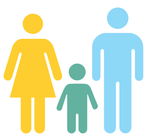
STAKEHOLDERS' ENGAGEMENT

We are committed to our stakeholders through maintaining sustainable growth in business, ensuring the well-being of our employees, and caring for the environment. We aim to consistently enhance our ESG performance and management by engaging with our stakeholders to understand their expectation, gain valuable feedback and address their concerns. In particular, we proactively engage with the stakeholder groups that are directly impacted by our operations, such as employees, investors, customers, suppliers, and subcontractors. This enables us to make informed decisions with regards to our ESG objectives, performance, and future business strategies and at the same time, better assess potential risks and challenges.

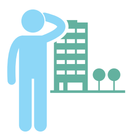
To foster collaborative relationship with our stakeholders, we continued to engage regularly with key stakeholder groups in a variety of ways to ensure effective communication of our operations and business development in relation to their concerns. Feedback collected through all stakeholder engagement exercises also contributed to the preparation of this ESG Report.

Community

- Charity donation
- Community participation
- Corporate website
- Press releases/News



Customer



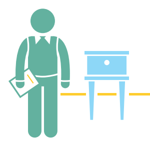
- Corporate website
- Customer service hotline
- Comments and complaint channels
- Press releases/News
- Industrial channels communications and activities
- Service meetings

Employees

- Orientations, comprehensive trainings, meetings and team briefings
- Performance appraisals
- Team building activities
- Notices and circulars
- Emails and other electronic communications

Government and Regulators

- Annual reports, ESG reports, announcements and circulars
- Corporate website
- Press releases/News



Investors and Shareholders

- Annual general meeting and notices
- Annual reports, ESG reports, announcements and circulars
- Corporate website
- Investors briefings
- Press releases/News

Suppliers and Business Partners

- Business meetings, supplier conferences and interviews
- Contracts and agreements
- Industrial channels communications and activities
- Quotations and tendering process
- Supplier appraisal, assessment and evaluation

MATERIALITY ASSESSMENT

In preparation for this ESG Report, we appointed an independent consultant to conduct a comprehensive stakeholder engagement and materiality assessment to determine the most material ESG topics to the Group for disclosure. This assessment helps to ensure that the Group's business objectives and development direction are coincided with the stakeholders' expectations and requirements.

Identification - To determine the current level of disclosure in the construction industry, a peer benchmarking exercise was conducted to review the ESG disclosure of local and international peers. Internal stakeholders were invited to complete an online survey to rank the importance of each ESG topic.

Prioritisation - The results of the peer benchmarking, the stakeholder engagement questionnaires were conducted before preparing this ESG Report and the latest online survey were combined and analysed. A prioritised list of potential material ESG issues was consolidated for further validation.

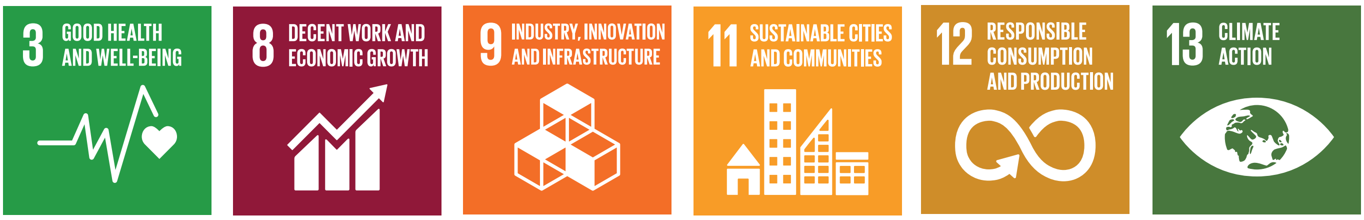
Validation - The consolidated list was considered by the senior management of the Group to finalise a list of material ESG issues and the relevant HKEx Aspects and Key Performance Indicators ("**KPIs**") for disclosure in this ESG Report.

The Group identified that energy management, employee safety, health and wellness, product quality and safety, and legal compliance are issues of high materiality.

ABOUT THIS REPORT

ESG TO SUPPORT SUSTAINABLE DEVELOPMENT

ESG are the preferred and important factors to measure a company's performance, for company valuation, risk management and even regulatory compliance. The Group is committed to our stakeholders through maintaining sustainable growth in business, ensuring the well-being of our employees, and caring for the environment. We are pleased to present this ESG Report (the "**Report**"), which demonstrates the ESG performance of the Group in achieving sustainable development for the future.



REPORTING STANDARD

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") contained in Appendix 27 to the Listing Rules. This Report complies with the "comply or explain" provisions of the ESG Guide. The content of this ESG Report also makes reference to the Global Reporting Initiative Standards content indices.

REPORTING SCOPE

This Report summarises the policies, management approach and performance of the Group in respect of corporate social responsibility. This Report is focused on the Group's core and material business in large scale formwork erection projects for the construction of reinforced concrete structures in Hong Kong. This Report is prepared in accordance with the reporting principles of 'Materiality', 'Quantitative', 'Balance' and 'Consistency'. With the aim to optimise the reporting process and expand disclosures in this Report, we are dedicated in gathering the relevant data, formulating, implementing, and monitoring policies. We make every effort to ensure consistency between the Chinese and English versions of this Report. However, in the event of any inconsistency, the English version shall prevail. This Report was reviewed and approved by the Board on 26 June 2020.

REPORTING PERIOD

This Report illustrates and highlights the environmental and social performance of the Group for the reporting period from 1 April 2019 to 31 March 2020 (the "**Reporting Period**").

STAKEHOLDERS' FEEDBACK

We welcome stakeholders' comments and feedbacks regarding our approach and performance on ESG aspects as they are valuable to our continuous improvement and sustainability. If you have any questions, suggestions, and recommendations to the Group, please send them to:

Unit A, 22/F, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

ESG@royal-deluxe.com

BUILDING A SUSTAINABLE FUTURE

SUSTAINABILITY VISION

Sustainability is a core part of business at Royal Deluxe Holdings Limited. We take tangible steps to minimize potential negative impacts associated with our operations on the environment and keep abreast of the industry's best practices as we work to build a sustainable and resilient future. With the past years' effort and passion, we have established goodwill and gained the trust of our customers including main contractors, developers, and government sector in Hong Kong. We are glad to obtain the support from different stakeholders from the past and we aim to create a long-term positive value for our stakeholders and the community.

SOCIAL RESPONSIBILITY

The Group is committed to minimise the direct and indirect impact to the community during our business operations; and considering continuously giving back to the society to create a sustainable community.

ENVIRONMENTAL IMPACT REDUCTION

We are committed to incorporate sustainability into our environmental management policy by reducing energy, natural resources and materials used, and improving our environmental performance through technology innovation, strategic partnership, and resource conservation.

THE FUTURE OF SUSTAINABLE DEVELOPMENT

Sustainable development in the construction industry continues to be a challenge, the economic development and increasing living needs of the Hong Kong people are driving the industry with more rapid growth but increasing concerns towards resources deprivation and environmental degradation. Developing sustainably and be a pioneer in resources conservation is the Group's prime focus, dedicated effort has been made to work towards becoming one of the leaders in environmental protection among industry competitors. We will continue to leverage on our designing strength, explore innovative construction methods through research and collaboration with business partners and suppliers to flourish sustainably in the industry.

ENVIRONMENTAL PERFORMANCE

Great effort has been made in controlling our emissions and consumption of resources to improve our environmental performance. The Group's green office management policy is the guiding principles for employees to advocate energy and resources conservation as well as waste reduction.

EMISSIONS POLICY AND COMPLIANCE

The Group acknowledges the impact of our work to the community, our employees, and the environment. Thus, our environmental management policy is designed as the guiding principles to communicate expectation and monitor performance. All emissions and waste generated during operations are strictly controlled and monitored, the Group strictly complies with the following environmental protection laws and ordinance of Hong Kong:

- AIR POLLUTION CONTROL ORDINANCE (CHAPTER 311 OF THE LAWS OF HONG KONG)
- DUMPING AT SEA ORDINANCE (CHAPTER 466 OF THE LAWS OF HONG KONG)
- ENVIRONMENTAL IMPACT ASSESSMENT ORDINANCE (CHAPTER 499 OF THE LAWS OF HONG KONG)
- NOISE CONTROL ORDINANCE (CHAPTER 400 OF THE LAWS OF HONG KONG)
- PUBLIC HEALTH AND MUNICIPAL SERVICES ORDINANCE (CHAPTER 132 OF THE LAWS OF HONG KONG)

CARBON FOOTPRINT – GREENHOUSE GAS EMISSIONS

Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (the "**GHG**") expressed in terms of the equivalent amount of carbon dioxide ("**CO_2-e**") emission. During the Reporting Period, the total operation area comprising the Group's headquarters, directors' quarter and the warehouse for the storage of construction materials, covered a total floor area was 3,629.22 square meter (356.84 m^2 without warehouse) (2019: 3,260.61 m^2 with warehouse, 356.42 m^2 without warehouse) and is accounted for 100% of our GHG emissions.

Source of GHG* emission	2020	2019
Mobile - Unleaded gasoline and diesel	53.84	88.94
Purchased electricity	37.82	39.08
Purchased Towngas	4.50	5.44+
Disposal of paper waste	27.75	27.37
Fresh water processing	0.08	0.13
Sewage water processing	0.04	0.05
Total GHG* emission	124.03	161.01+
GHG removal – paper waste recycling	2.3	12.21
Total GHG* emission after removal	121.73	148.80+
Carbon emission intensity (warehouse included)	0.034	0.046
Carbon emission intensity (warehouse excluded)	0.341	0.417+

+ denotes a correction of a statistical error that occurred in the previous reporting period.
* The GHG is calculated according to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

The Group's carbon emission intensity was 0.034 tCO_2-e/ m^2 during the Reporting Period (2019: 0.046 tCO_2-e/ m^2), a year-over-year reduction of 26%. Our energy saving practices included deploying energy saving lighting fixtures, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using digital technology and recycled paper, encouraging the use of public transport and using tele or video conferencing as an alternative to business travel.

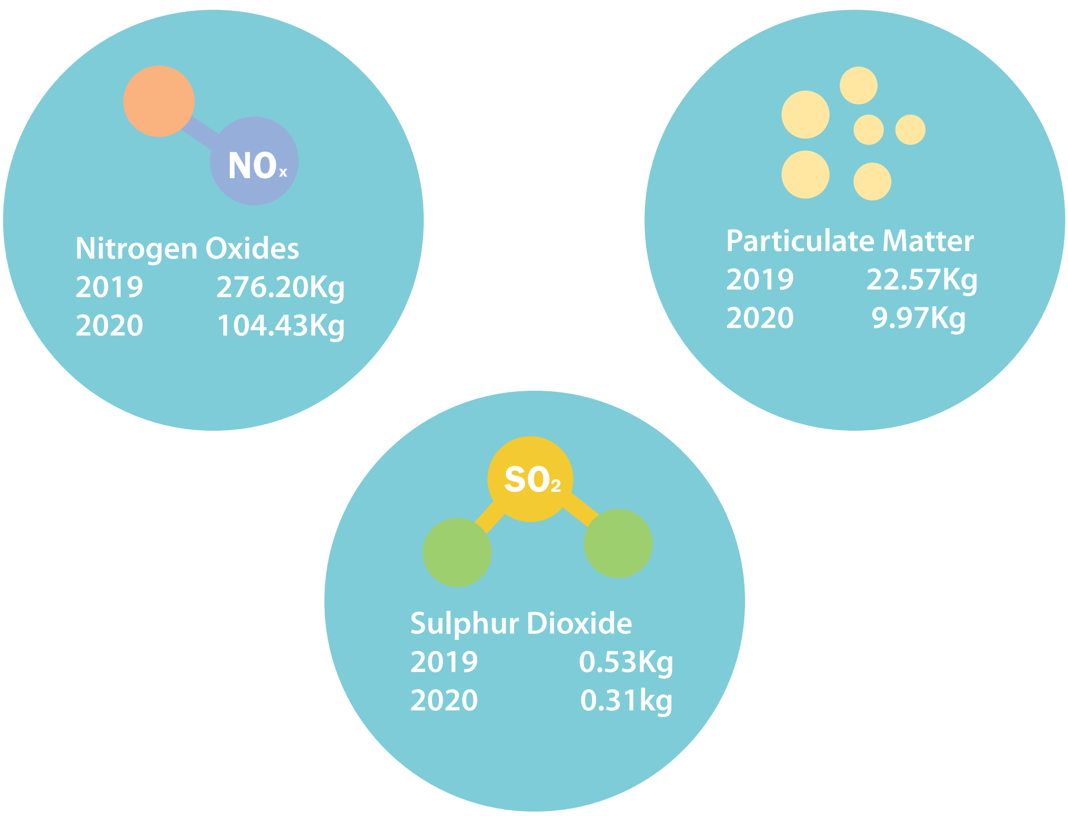
It is noteworthy that the electricity and water used in the construction sites were usually provided by the main contractors or property owners. Hence, the GHG emissions was not available for carbon footprint calculation. However, we will work with main contractors to see the possibility of recording the electricity and water usage in the coming years to set quantifiable targets for carbon footprint reduction.

AIR EMISSION

Dust or respirable suspended particulates ("**RSP**") matters generated by the activities in the construction sites could contribute to local air pollution. Thus, washing facilities are used to wash off mud and dust on site to prevent dust and RSP matters from dispersing into the environment, and the resulted air emission was not significant during the Reporting Period.

Another major source of air emission was generated from the use of gasoline and diesel-powered motor vehicles by employees for commuting and transporting goods. Motor vehicles emit a considerable amount of pollutants into the environment. Regular maintenance on vehicles were conducted to ensure optimal performance and enhance energy use.

The following diagram highlights the year-over-year air emission of the Group.



CONSTRUCTING SUSTAINABLY

To seek long-term sustainability to the environment and the community, and reduce the consumption of natural resources which is scarce on earth, the Group has made great efforts in controlling our emissions as well as documenting our consumption of resources. During the Reporting Period, the primary energy and resources consumed by the Group were electricity, Towngas, gasoline, diesel, water, timber, metals, and paper. Due to the Group's business nature in construction, no packaging materials were used or needed for our business.

Fossil Fuel Consumption – Gasoline and Diesel

The air emission of motor vehicles may affect the people and neighbouring communities through our environmental impact. A total of 4,132.34 litres of gasoline (2019: 6,370.37) and 15,385.49 litres of diesel (2019: 27,057.78) were consumed during the Reporting Period.

Energy Consumption – Electricity

The total electricity consumption was 75,635.00 Kilowatt-hour (kWh) (2019: 76,620.00 kWh) during the Reporting Period. The Group's energy saving practices also include the use of window blinds in the office for heat insulation during summer.

Energy Consumption – Towngas

The total Towngas consumption was 7,536.00 megajoule (MJ) (2019: 9,648.00 MJ) during the Reporting Period.

Water Consumption

The Group is committed to conserve water which is a precious natural resource on earth. We did not encounter any issue in sourcing water that is fit for purpose during the Reporting Period. The total freshwater consumption was 187.00 cubic meters ("m^3") (2019: 308.74 m^3). The water consumption in the construction sites was usually provided by the main contractors or property owners, thus, it was not available for our carbon footprint calculation. Wastewater from our offices is discharged through the municipal drainage systems, while that discharged from our construction sites is treated according to respective regulatory requirements.

Paper Consumption

Reducing the consumption of paper in our offices has been one of the environmental objectives of the Group. During the Reporting Period, a total of 5,782.20 kg of paper and printed matters (2019: 5,701.74 kg) was used by administration and report publication purposes.

Timber Consumption

Timber formwork often regards as a traditional type of formwork system, despite the fact it is labour intensive and time consuming, it is still the most popularly accepted system for most of the typical construction projects with usual size and complexity in the design and structure. During the Reporting Period, 8,538.29 m^3 timber (2019: 7,476.22 m^3) was consumed. To conserve this natural resource, we continue to purchase timber products that are certified under The Programme for the Endorsement of Forest Certification (the "PEFC"). Over 90% of our timber were procured from certified PEFC suppliers demonstrating our commitment to conserve the environment and develop our business in a sustainable way.

Metals Consumption

Many architectural designs require engineered formwork system which is built out of prefabricated modules using steel, aluminium and metal. The major advantages of these metal formwork systems are speed of construction and lower life-cycle costs as formworks constructed by aluminium is almost indestructible so it can be reused for many times depending on applications and proper care. Metal formwork systems are better protected against rot and fire than traditional timber formwork. During the Reporting Period, 1,542.38, 1,017.91 and 301.92 tonnes of steel, aluminium and metal were being used for the formwork projects respectively.

The following diagram illustrates the year-over-year consumption of different resources and their intensity.

Resource	Year	Consumption	GHG* emissions (in tCO_2-e)	Intensity
Gasoline	2020	4,132.34 L	11.19	0.13 tCO_2-e/employee
	2019	6,370.37 L	17.25	0.19 tCO_2-e/ employee
Diesel	2020	15,385.49 L	42.65	0.48 tCO_2-e/employee
	2019	27,057.78 L	71.69	0.80 tCO_2-e/employee
Electricity	2020	73,635.00 kWh	37.82	20.15 kWh/m^2
	2019	76,620.00 kWh	39.08	23.50 kWh/m^2
Towngas	2020	7,536.00 Mj	4.50	0.05 tCO_2-e/ employee
	2019	9,648.00 Mj	5.44	0.06 tCO_2-e/employee
Water	2020	187.00 m^3	0.12	0.001 tCO_2-e/ employee
	2019	308.74 m^3	0.18	0.002 tCO_2-e/employee
Paper	2020	5,303.20 kg^	25.46^	0.29 tCO_2-e/employee
	2019	3,157.74 kg^	15.16^	0.17 tCO_2-e/employee
Timber	2020	8,358.29 m^3^	N/A	0.012 m^3/HK$"000 revenue
	2019	7,476.22 m^3^	N/A	0.012 m^3/HK$"000 revenue
Metals	2020	1,165.38 t^	N/A	0.002 t/HK$"000 revenue
	2019	1,902.07 t^	N/A	0.003 t/HK$"000 revenue

^After deducting the recycled amount

HAZARDOUS AND NON-HAZARDOUS WASTE REDUCTION

The reduction and recycling of construction materials (metals and timber) are becoming more important in the construction industry due to the increase in public awareness and waste disposal charges under the Construction Waste Disposal Charging Scheme. Thus, the Group is continuously making the effort to design and research for better construction methods to build our formworks with reusable and recyclable materials.

The Group promotes recycling and reusing of metal components despite the huge storage space required. In order to repurpose existing metal components, we have been leasing a warehouse to store them for reuse, and as a result, only 1,165.38 t of metals were being disposed of. Comparing to its metals counterpart, timber is less pertinent to be reused and recycled. During the Reporting Period, with 180 m^3 being recycled for reusing purposes, a total of 8,358.29 m^3 of timber (2019: 7,476.22 m^3) were disposed of under the Construction Waste Disposal Charging Scheme.

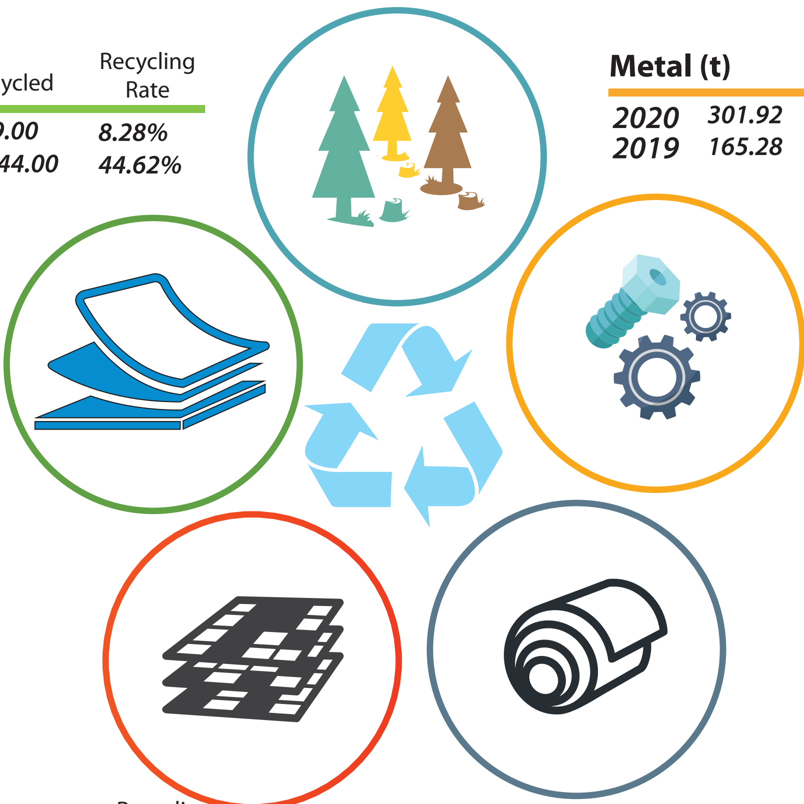
The Group continued to promote the use of digital technology and recycled paper. With 479 kg of papers being recycled by local paper recycler, a total of 5,303.20 kg of paper and printed matters was being disposed of during the Reporting Period (2019: 3,157.74 kg disposed, 2,544.00 kg recycled).

The following diagram denotes the year-over-year comparison of resources consumed and their recycling rate:

Timber (m^3)		Recycled	Recycling Rate
2020	8,538.29	180	2.11%
2019	7,476.22	Nil	Nil

Paper (kg)		Recycled	Recycling Rate
2020	5,782.20	479.00	8.28%
2019	5,701.74	2,544.00	44.62%

Metal (t)		Recycled	Recycling Rate
2020	301.92	Nil	Nil
2019	165.28	Nil	Nil



Steel (t)		Recycled	Recycling Rate
2020	1,542.38	1,404.85	91.08%
2019	2,138.27	942.23	44.07%

Aluminium (t)		Recycled	Recycling Rate
2020	1,017.91	291.97	28.68%
2019	685.10	144.35	21.07%

COMMUNITY INVESTMENT

COMMUNITY INVESTMENT POLICY

With a long-term business and corporate social responsibility plan in Hong Kong, the Group is dedicated to establishing closer ties with the local communities by being a responsible member and a good neighbour. We are committed to take a proactive and constructive approach in giving back to the society by making charitable donations, participating in charitable and community events and services, and helping talented young people in developing their potential. Through our structured community investment programs, we provide our time, skills and areas of expertise to help supporting the local people and building a better society for them.

CORPORATE AWARDS AND RECOGNITION

The Group was presented with the Safety awards during the Reporting Period that demonstrated the employees' commitment to enforce safety performance and our emphasis on being one of the role models in the industry.

Organisation	Award
MTRC Shatin to Central Link Contract	Best Opportunity for Involvement Award Safety Incentive Scheme – Winner of Safe Worker Award

INTERNSHIP OPPORTUNITIES FOR UNIVERSITY STUDENTS

The Group has made arrangements with The Hang Seng University of Hong Kong (the "**HSU**") to offer internship opportunities for students who want to experience to work in their chosen business area before they made the decision to choose a long term career. It was the second year for the Group to participate in the internship program with HSU and during the Reporting Period, we have offered positions to students who were interested in finance, banking, accounting, and corporate governance.

CHARITY PROGRAMS PARTICIPATION AND DONATION

The Group is motivated to improve the society and contribute towards sustainable development. As a member of the Hong Kong community, we understand the importance of corporate social responsibility, so we continued our community care by making various charitable donations and sponsorship to show our care. Concerted efforts were made by the Group's management and employees to volunteer for the charity events. The participation not only engaged the employees to take part in community charity programs, but also created a bond between the management and the employees by fostering a two-way sharing and communication. With the support in charity donation and participation, we aim to promote generosity and create a positive impact among our employees and the Hong Kong community.

SPONSORED PARTY	NATURE/EVENT
Construction Charity Fund **建造業關懷基金**	General Donation **捐助建造業關懷基金綜合服務中心**
Hong Kong Lo Pan Kwong Yuet Tong **香港魯班廣悅堂**	General Donation **捐助魯班先師寶誕賀誕金**
Mindset Limited **思健有限公司**	Sponsorship for the Walk Up Jardine House 2019 **齊步上怡廈**
New World Construction Company Limited **新世界建築有限公司**	Construction Industry Anti-Epidemic Fund **建造業抗疫關愛行動**
Society for the Welfare of the Autistic Persons **自閉症人士福利促進會**	Donation to the flag day 2019 **賣旗籌款**
The Construction Industry Council - Construction Industry Sports and Volunteering Program **建造業議會 - 建造業運動及義工計劃**	Sponsorship for the Anti-Epidemic Fund's Five-a-side Football Fun Day 2019 **贊助2019建造業五人足球同樂日活動**
The Construction Industry Council **建造業議會**	Construction Industry Anti-Epidemic Fund **建造業抗疫關愛行動**
The Lighthouse Club Hong Kong Benevolent Fund **明建會香港慈善基金**	Sponsorship for the 2019 Lighthouse Club Lap Dog Challenge **贊助2019明建會香港慈善基金Lap Dog Challenge**

Monetary Donation

2020 $689,000.00
2019 $43,000.00

HUMAN CAPITAL

TOTAL WORKFORCE

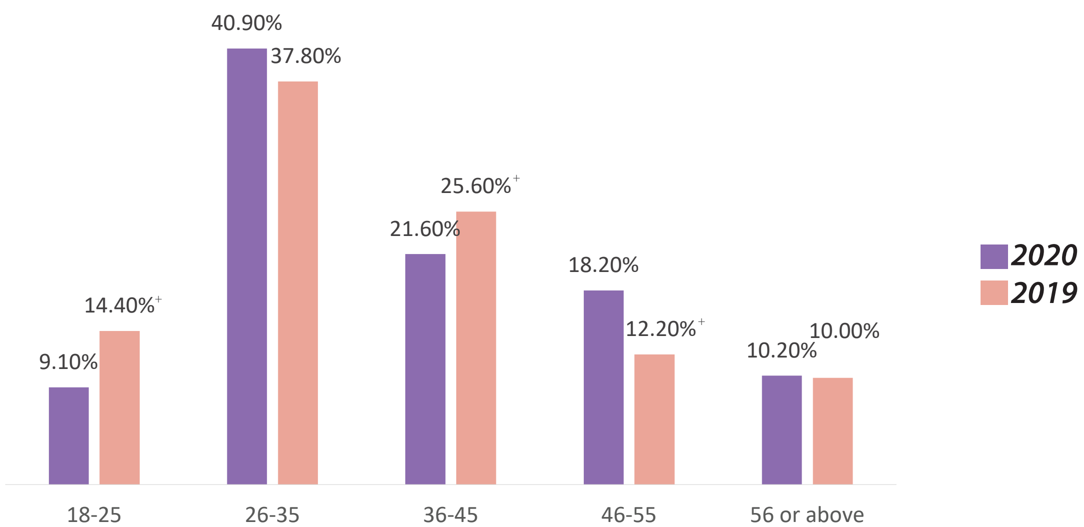
Human capital is regarded as one of the Group's most valuable assets as it is vital to our development and future success. The Group is committed to invest in and nurture our human capital as innovation and creativity, quality products and services are brought about by performing and committed employees. As at 31 March 2020, the total workforce of the Group was 88, our employee composition is illustrated below:

	2020	2019
TOTAL NUMBER OF EMPLOYEES (FULL-TIME)	88	90

BY GENDER

	2020	2019
Male	72.7%	70.0%
Female	27.3%	30.0%

BY AGE GROUP



+ denotes a correction of a statistical error that occurred in the previous reporting period.

BY EMPLOYEE CATEGORY

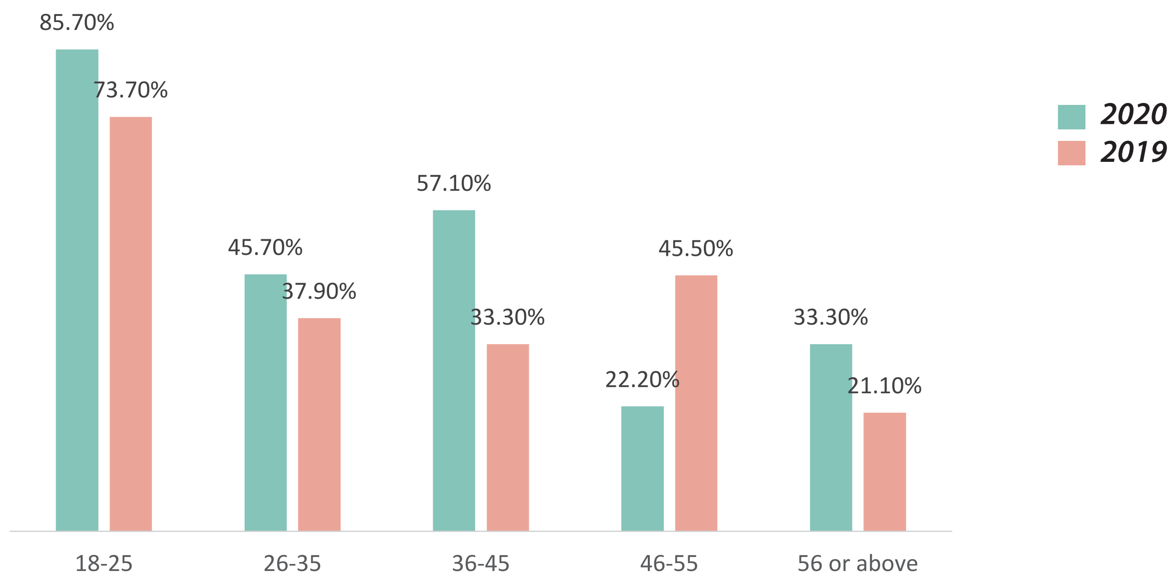
	2020	2019
Senior management	8.0%	7.8%
Middle management	19.3%	18.9%
General staff	72.7%	73.3%

	2020	2019
TURNOVER RATE	48.3%	40.0%

BY GENDER

	2020	2019
Male	42.5%	31.9%
Female	62.8%	56.6%

BY AGE GROUP



BY EMPLOYEE CATEGORY

	2020	2019
Senior management	0%	0%
Middle management	11.80%	29.60%
General staff	63.10%	46.00%

The total number of indirect employees was 3,721 (2019: 3,031) with 3,645 males and 76 females, 3,616 between the age of 18 to 65 and 105 over 65, 3,343 Chinese and 378 from different ethnic background including Nepalese, Pakistanis and Vietnamese, etc.

OCCUPATIONAL HEALTH AND SAFETY POLICY

The Group regarded 'safety first' as the underlying value of the organisational culture. Occupational health and safety policy are established to ensure a risk-free workplace is provided to our employees and to prevent them from work-related injuries and illnesses. It is every employee's responsibility to follow the rules and safety standards expected from the Group. Employees working at construction sites are provided with personal protective equipment such as helmets, eye and ear protectors, respirators, safety belts, gloves and safety shoes for protection. Emergency procedures are communicated periodically to ensure emergency preparedness for employees.

Apart from various occupational health and safety trainings that were conducted to reinforce employees' safety awareness and practices; a safety reward program has been established to encourage and reward employees for good safety performance. The Group also participated in the pilot medical examination scheme for construction workers organised by the Construction Industry Council. The scheme is to provide general medical examinations to the construction workers so that they realise their health conditions and understand if they have any health problems at an early stage.

The Group also demands our subcontractors to comply with our safety policy to protect the interest of their workers. Corporate safety audit is conducted regularly by registered safety auditors to monitor safety compliance and employees' safety commitment. The Group is aware of the increase in the work injury rates and has communicated closely with our subcontractors to reinforce preventive measures and educate related employees to tackle the issues in the construction sites. During the Reporting Period, the Group received two safety awards and did not violate any related health and safety regulations and ordinances.

Occupational Health and Safety Data

	2020	2019
Direct Employees		
Number of work injury cases	2	1
Number of work-related fatalities	0	0
Occupational disease rate	0	0
Lost days due to work injury	2.0	147.0
Indirect Employees		
Number of work injury cases	27	17
Number of work-related fatalities	0	0
Occupational disease rate	0	0
Lost days due to work injury	2,604.0	1 571.0
Work Injury rate	3.22	2.47

EMPLOYMENT AND BENEFITS

Through the years of experience in the industry, the Group understands that we are highly dependent on our human capital, while employees' health and work safety are of ultimate importance and priority; the Group is committed to providing a promising career, as well as a positive and safe working environment for the employees who embrace equality and diversity.

A competitive remuneration and benefit package is developed to identify, recruit, train and retain suitable, skilled and experienced employees. The Group manages and motivates our employees by offering rewards such as cash coupons for safety performance, year-end bonus, and performance-based bonuses. The Employee Handbook is designed to incorporate rules and regulations surrounding employment and labour standard, benefits, and welfare, leave and holidays, code of conduct and organisational structure to ensure compliance with relevant laws to protect employees. Remuneration packages are reviewed periodically to ensure employees are assessed and rewarded based on their capabilities, responsibilities and performance.

To create a sense of belonging in the workplace, the Group encourages employees to form a cultural team to enhance employee communications by promoting corporate culture, building communication bridges, and boosting positive energy.

DIVERSITY AND EQUAL OPPORTUNITIES

The Group provides equal opportunities for employees in respect of recruitment, remuneration and benefits, training and development, and job advancement. To provide a fair and inclusive workplace, no form of discrimination based on gender, race, religion, age, trade union membership, etc. is allowed as indicated by our Company Rules and Regulations.

The objective of the Group's human capital management is to reward and recognise performing employees by reviewing their salaries and wages through our annual performance appraisal system based on employees' performance, experience, and qualifications.

LABOUR PRACTICES AND COMPLIANCE

The Group complies with the relevant laws and regulations relating to employment, child and forced labour practices.

The recruitment process and the labour standard are strictly abided by our Staff Requisition and Recruitment Policy, ensuring the proper and suitable candidates are hired in accordance to the job requirement, relevant laws and candidates' expectation for a fair, healthy and sustainable workforce. During the Reporting Period, there were no reported cases of non-compliance regarding labour practices on child and forced labour employment.

During the Reporting Period, there were 46 (2019: 43) cases of work injury claims (new cases and cases being brought forward) against the Group. The Group recognises the negative impact of labour disputes towards the Group; nevertheless, the Group is committed to focusing on reducing the number of occupational injuries by continuously establishing and adopting various methods to improve the safety awareness and performance of the employees.

HUMAN CAPITAL DEVELOPMENT AND TRAINING POLICY

The Group understands that the experience and skills of employees are important and critical to our continued success and growth as formwork projects are generally labour intensive and skill specific. To ensure that suitable and professional employees are available for different projects' needs, various inhouse and external trainings are offered to ensure employees are trained skilfully and professionally for their knowledge improvement. Our employees are also entitled to the Group's Education Subsidy Scheme, which aims to encourage employees' self-advancement and enhance their job-related skills for future career development. During the Reporting Period, training programs developed by the Construction Industry Council including the Skills Enhancement Courses of the Advanced Construction Manpower Pilot Training Scheme, Tradesman Collaborative Training Scheme, Advanced Construction Manpower Training Pilot Scheme, Approved Technical Talents Training Programme, and Full Time Adult Short Courses were welcomed and participated by our employees who were aspired to develop their career in the construction industry.

Training Hours		2020	2019
Total (hours)		743.5	938.8
Average (per employee) (hours)		8.5	10.4
By Gender (Average training hours and percentage of employees who received training)			
Male	By hour	10.0	13.4
	By percentage	29.2%	65.1%
Female	By hour	4.0	3.5
	By percentage	43.5%	48.1%
By Employee Category (Average training hours and percentage of employees who received training)			
Senior management			
	By hour	24.0	78.1
	By percentage	42.9%	71.4%
Middle management			
	By hour	2.0	7.4
	By percentage	17.8%	76.5%
General staff			
	By hour	8.5	4.1
	By percentage	35.9%	54.5%

CARING FOR EMPLOYEES

The Group trusts and respects our dedicated and highly competent workforce. We show our care to our employees by continuously work towards providing a better working environment and enhance their job satisfaction. In order to guide our employees to a better career path, we have participated in the Construction Industry Council Approved Technical Talents Training Programmes. This program aims to foster young students of the Hong Kong Institute of Construction to become knowledgeable and skill-based technical professional through a comprehensive program. By integrating on-the-job training, trade skills enhancement and assessment, safety training, soft skills as well as technological and innovative education, we can develop more potential technical professional in the formwork construction industry.

The Group also shows our care to our employees during the COVID-19 pandemic crisis, that has been putting pressure on the Group and our employees. As part of the COVID-19 countermeasures and to prevent the spread of the virus, the Group has implemented stringent infection preventive measures to protect our employees. Collaborating efforts across departments was encouraged by the Group to keep things running as smoothly as possible during this pandemic.

The construction sites were closed in February 2020 for two weeks. The Group implemented the work from home initiatives for working teams who could work remotely while helping essential employees who needed to work in the office to have the necessary protection and peace of mind. The administration department closely monitored the health of our employees by checking their body temperature, providing sufficient surgical masks and alcohol-based hand rub in the offices and construction sites. Social media and online video meeting software were widely used to promote and enhance communication in the Group.

The Group also adopted the COVID-19 prevention controlling measures from Occupational Safety and Health Council to educate employees on how they could be spreading the virus and how best to prevent it. Employees are advised to wear masks and avoid physical contact (such as shaking hands, hugging) and crowded places when they need to meet people or work outside in their local community. The Group also established a response mechanism in responding to scenarios where employees are infected by COVID-19 to minimise the impact to other employees, the neighbour of the Group and the members of the public. There were no suspected or confirmed COVID 19 cases reported from the Group during the Reporting Period.

PRODUCT RESPONSIBILITY AND VALUE CHAIN

The Group is one of the few formwork erection operators in Hong Kong that can provide traditional formwork and system formwork in large-sized construction projects with design capacity (i.e. "design-and-build") in both building construction and civil engineering sectors.

We are committed to our operational strategy of providing "High-quality work and flexible Solutions" and our developmental strategy of "Construction Technical Innovation and optimized-customer design", because we believed that our technological innovation is a decisive factor in reinforcing our leading position and it is also the driver to achieving sustainable growth for the future.

The overall success of a design-and-build project depends on the design and the use of a suitable formwork system to meet the specification of different construction needs. One of our formwork patents, the Smart Formwork Aluminium Tableform System (the "**Tableform**"), has been approved as the Advance Technological Solution by the Construction Innovation and Technology Fund (the "**CITF**") in 2019. The Tableform is an innovative construction technology which has a great deal of advantages including higher productivity, better safety, lesser labour requirement, lesser use of materials, and shorter construction time. This pioneering method has transformed the traditional construction sites to becoming a safer working environment and at the same time enhanced environmental protection.

The Group's efforts in devising innovative construction method and improving the technical skills of employees have successfully contributed to the registration of several patents. Ming Tai Construction Movable Aluminium Table-form (Hong Kong Patent no.: HK1230011, China Patent no.:ZL2016_2_1061846.7 and 201810545176.3, China invention Patent no.: ZL2018_2_0829496.7 and 201610829463.8) is made of high-density lightweight aluminium which can be reused many times to achieve effective resources application; its design structure is stable with high-loading support, its comprehensive protective accessories ensure work safety, and its transportable design also increases the efficiency of on-site operation and effectively reduces staffing during construction. During the Reporting Period, the Group received approvals from the central government of the People's Republic of China for 1 utility model patent, 3 Hong Kong short-term patent and 1 OAPI invention patent.

QUALITY ASSURANCE PROCESS

The Group is committed to providing innovative and high-quality work to our customers. The Group's quality manual prescribes systematic and standardised policies, process, and procedures so that the quality of our formwork products is maintained and guaranteed. Based on the design and quality requirement of our customers, our project management team oversees and manages processes from materials selection, quality management system, to the on-site work performance for quality control and product responsibility. Furthermore, the project manager of the team is responsible for the on-site supervision and inspection to ensure quality performance and to avoid non-conformance. During the Reporting Period, there were no significant complaints in project quality and delivery.

PROTECTING INTELLECTUAL PROPERTY RIGHTS

The Group has registered several trademarks, patents, and domain names in Hong Kong as they are important to our brand and corporate image. The Group complies with the intellectual property (the "**IP**") rights regulations. During the Reporting Period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of our own IP rights and the IP rights of third parties.

DATA PROTECTION AND PRIVACY POLICY

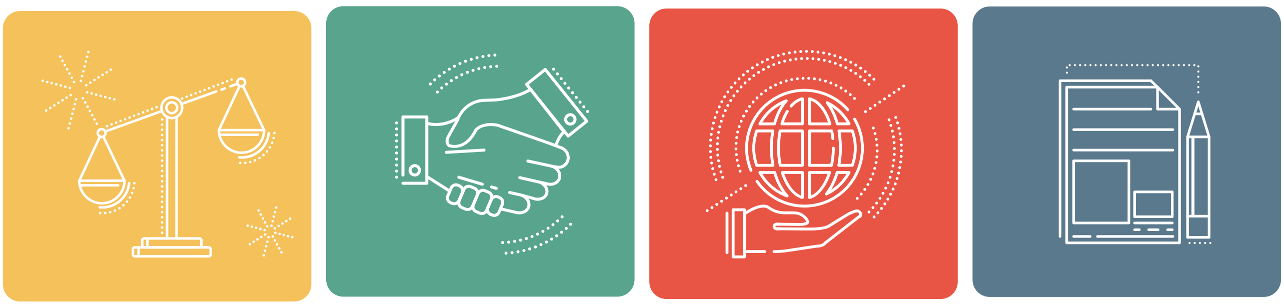
The Group properly manages and protects the data of our employees, customers, subcontractors and suppliers to ensure their privacy and confidentiality; our servers and computers are protected from access passwords, and all sales contracts, tender documents, related licenses, employees' personal data are neatly organised and archived. The Group complies with the Personal Data (Privacy) Ordinance and is strictly abided by the regulation in the collection, disclosure, usage, retention, and storage of information data to ensure data integrity and safety. Employees are instructed of their responsibility to ensure the safekeeping of all personal data, trade secrets and proprietary information.

ETHICAL BUSINESS BEHAVIOUR

ANTI-CORRUPTION POLICY

The Group is committed to fostering a culture of compliance, ethical behaviour and good corporate governance and has regarded fairness, honesty and integrity as our core cooperate value that must be uphold by every employee. To formalise the commitments, the Group's Code of Conduct stipulates the requirement expected of all employees, and our policy on corruption, conflict of interest and fraudulent activities when dealing with the Group's business. Employees should not offer, solicit, or accept anything of material value to or from their business partners, colleagues, customers, suppliers or subcontractors of the Group unless the Group has given our consent.

The Group conducts periodic and systematic risk assessment and communicate related anti-fraud policy and procedures to employees on a regular basis.



CONFLICT OF INTEREST POLICY

The Code of Conduct stated that all directors and employees should avoid the conflict between personal financial interest and their professional official duties in the Group. The policy also requires employees to declare any potential conflict of interest and to report on any gifts or advantages being offered or received to the Group in writing.

ANTI-COMPETITIVE BEHAVIOURS

Hong Kong is a free economic society; businesses need to compete to provide the best value for money product to meet or exceed customers' requirements. In the Group, competition is one of the driving forces that substantiates the development of the most advantageous product in the combination of cost, quality, and sustainability. The Group has devoted to differentiating our products by pioneering the design and sustainability to win over competitors. To comply with the Competition Ordinance, the Group prohibits any kind of anti-competitive practices.

PREVENTIVE MEASURES AND WHISTLE-BLOWING PROCEDURES

As part of our corporate governance program, the Group promotes the importance of ethical behaviour and encourages the reporting of misconduct, unlawful or unethical activities. The Group's whistle-blowing policy stated the process and procedures of whistle-blowing and the whistle-blower could report suspected misconduct, conflict of interest, malpractice, or irregularity cases through a designated email in strict confidence. All suspected frauds will be investigated by the Group's audit committee confidentially. The Group regularly conducts trainings on business ethics to reinforce employees' understanding and communicates the code of ethical conduct through emails and briefings during Chinese Festive seasons to remind employees of the Group's requirement. During the Reporting Period, there was one bribery case being investigated by the Hong Kong Independent Commission against Corruption (the "**ICAC**") regarding a foreman being charged with bribery over employment of a construction worker. We have rendered full assistance to the ICAC during its investigation into the case, and we have conducted internal communication and training in providing the necessary information, knowledge and skills to directors and employees in relation to our anti-corruption programme.

SUPPLY CHAIN MANAGEMENT

We are aware that our stakeholders expect the Group to purchase construction materials that are from sustainable sources. Although we have not yet developed a green supplier catalogue for construction materials, we follow the requirement of the LEED certification scheme to procure construction materials that incorporate recycled content materials and that are manufactured in the proximity to reduce transportation cost and effect.

The Group has built a strategic relationship with our supply chain partners (raw material suppliers and subcontractors) to ensure the delivery of safe and top-notch quality products to our customers. Our green procurement policy is structured to warrant the best available goods that are sustainable, eco-friendly and high quality are procured in an honest, competitive and fair manner that delivers the best cost performance and reduces any environmental impacts.

GREEN PROCUREMENT

By embedding sustainability principles in the supply chain, the Group procure goods and services locally as much as possible to minimize the carbon footprint arising from transportation, and to benefit the local economy. During the Reporting Period, the Group purchased construction materials, goods and general services like cleaning, hygiene, sanitation, electrical and mechanical, computing services and consumables for our operations through 103 (2019: 96) product and service suppliers in our approved suppliers' catalogue. Since it is important to use reputable suppliers who offer reliable, stable, cost-effective and high-quality products to meet our operational needs, suppliers are assessed and selected based on rational and clear criteria.

SUPPLIERS AND SUBCONTRACTORS' ENGAGEMENT

We demand our suppliers and subcontractors to comply with our minimum requirement regarding our sustainability principles, including labour practices, health and safety standards, environmental protection and the prevention of corruption and bribery. We assess their work and sustainability performance on a regular basis, and we would exclude them from our suppliers' catalogue if they failed to meet our requirements. We also maintain regular communication with them so that high-quality work and on-time project completion could be enforced and guaranteed.

HONG KONG EXCHANGE ESG GUIDE CONTENT INDEX

HKEx KPI	Description	Corresponding KPI in the section of this Report
A. Environmental		
A1 Emissions		
A1	General Disclosure	Emissions Policy and Compliance P.43
A1.1	The type of emissions and respective emissions data	Emissions Policy and Compliance P.43 Carbon Footprint – Greenhouse Gas Emissions P.44-P.45 Air Emission P.45
A1.2	Greenhouse gas emissions in total and intensity	Carbon Footprint – Greenhouse Gas Emissions P.44-P.45 Constructing Sustainably P.46-P.47
A1.3	Total hazardous waste produced and intensity	Constructing Sustainably P.46-P.47 Hazardous and Non-hazardous Waste Reduction P.48
A1.4	Total non-hazardous waste produced and intensity	Hazardous and Non-hazardous Waste Reduction P.48
A1.5	Description of measures to mitigate emissions and results achieved	Emissions Policy and Compliance P.43 Constructing Sustainably P.46-P.47
A1.6	Description of how hazardous and non hazardous wastes are handled, reduction initiatives and results achieved	Hazardous and Non-hazardous Waste Reduction P.48 Constructing Sustainably P.46-P.47
A2 Use of Resources		
A2	General Disclosure	Constructing Sustainably P.46-P.47
A2.1	Direct and/or indirect energy consumption by type in total and intensity	Constructing Sustainably P.46-P.47
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A2.5	Total packaging material used for finished products and results achieved	Constructing Sustainably P.46-P.47
A3 The Environment and Natural Resources		
A3	General Disclosure	Emissions Policy and Complaince P.43 Constructing Sustainably P.46-P.47
A3.1	"Description of the significant impacts of activities on the environment and natural resources and natural resources and the actions taken to manage them"	Emissions Policy and Complaince P.43 Constructing Sustainably P.46-P.47 Hazardous and Non-hazardous Waste Reduction P.48
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B1 Employment		
B1	General Disclosure	Employment and Benefits P.54
B1.1	Total workforce by gender, employment type, age group and geographical region	Total Workforce P.51-P.52
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B2.2	Lost days due to work injury	Occupational Health and Safety Policy P.53

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B3	General Disclosure	Human Capital Development and Training Policy P.55 Caring for Employees P.56
B3.1	Percentage of employees trained by gender and employee category	Human Capital Development and Training Policy P.55
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B4 Labour Standards		
B4	General Disclosure	Employment and Benefits P.54 Diversity and Equal Opportunities P.54 Labour Practices and Compliance P.54
B5 Supply Chain Management		
B5	General Disclosure	Supply Chain Management P.59 Green Procurement P.59
B 5.1	Number of Suppliers by Geographically Region	Green Procurement P.59
B5.2	"Practices relating to engaging suppliers, number of suppliers where and how the practices are being implemented "	Green Procurement P.59 Suppliers and Subcontractors' Engagement P.59
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B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's business
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DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Financial Year 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The details of the principal activities of the subsidiaries are set out in note 34 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Financial Year 2020.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 April 2016. Its registered office and principal place of business are at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Unit A, 22/F., T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the memorandum and articles of association of the Company. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2020 and the state of affairs of the Company and the Group as at 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income, note 35 to the consolidated financial statements and the consolidated statement of financial position in this annual report respectively.

The Board does recommend, at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK0.449 cents (2019: Nil) per ordinary share, amounting to a total of approximately HK$5.4 million (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 18 September 2020 (the "**2020 AGM**"). To determine the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 15 September 2020 to Friday, 18 September 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 September 2020.

In order to qualify for the entitlement to the proposed final dividend, the register of members of the Company will also be closed from Thursday, 24 September 2020 to Monday, 28 September 2020, both days inclusive, during which period no transfer of shares in the Company will be registered. All transfer of shares, accompanied by the relevant share certificates, must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 September 2020. If the resolution of the proposed final dividend is passed at the 2020 AGM, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Monday, 28 September 2020. The proposed final dividend is expected to be paid on or before Wednesday, 21 October 2020.

BUSINESS REVIEW

The review of the Group's business for the Financial Year 2020 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 8 to 19 of this annual report. The description of principal risks and uncertainties the Group is facing and key performance indicators are set out in the section headed, "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in note 32(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to minimising the adverse impact to the environment caused by business operations. In order to comply with the applicable environmental protection laws and regulations, the Group established an environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal. The Group will continue to reduce the impacts of its operation on the environment and continue to make efforts to save energy.

For details of ESG performance of the Group, please refer to the Environmental, Social and Governance Report.

DIRECTORS' REPORT

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Financial Year 2020, there was no material breach or non-compliance with the applicable laws and regulation by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group treasures the relationship with all of its stakeholders and attempts to engage them through different initiatives. Human capital is the most valuable asset of the Group. The Group provides and reviews regularly the remuneration packages, training programmes, and staff engagement activities to keep it competitive and attract, nurture and retain talents and employees.

A long-term good relationship with business partners (as well as suppliers and customers) brings benefits for the Group and is important in accomplishing its immediate and long-term goals.

Apart from the connection in business relationship, the Group also engages its customers and suppliers to collaborate and strive for better performance in business operation, environment, and community investment. The Group encourages employees to engage in community activities voluntarily.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Financial Year 2020 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

The Company's total issued share capital as at 31 March 2020 was 1,200,000,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital of the Company during the Financial Year 2020 are set out in note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Financial Year 2020 are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves available for distribution to owners comprising the aggregate amount of share premium less accumulated losses, amounted to approximately HK$20.1 million.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 138. This summary does not form part of the audited consolidated financial statements of the Group.

DIRECTORS

The Directors of the Company during the Financial Year 2020 and up to the date of this annual report were as follows:

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

Information regarding Directors' emoluments are set out in note 10 to the consolidated financial statements.

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

By virtue of article 108 and article 112 of the memorandum and articles of association of the Company, Mr. Benjamin Wang and Mr. Kwong will retire at the 2020 AGM and, all being eligible, will offer themselves for re-election at the said meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Controlling Shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the Financial Year 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the Financial Year 2020 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any director or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire the rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the Financial Year 2020.

DIRECTORS' REPORT

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

As at 31 March 2020, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in shares and underlying shares of the Company

Name of director/chief executive	Capacity/Nature of interest	Number of underlying shares of the Company held	Approximate percentage of shareholding
Mr. Joseph Wang (note 1)	Interested in a controlled corporation	801,600,000	66.8%
Ms. Chao (note 2)	Interest of spouse	801,600,000	66.8%

Note:

1. Mr. Joseph Wang beneficially owns the entire issued share capital of Wang K M Limited ("**Wang K M**"), which directly holds 66.8% of the shares of the Company. Therefore, Mr. Joseph Wang is deemed to be interested in all the shares of the Company held by Wang K M for the purpose of the SFO. Mr. Joseph Wang is the sole director of Wang K M.

2. Ms. Chao is the spouse of Mr. Joseph Wang. Accordingly, Ms. Chao is deemed, or taken to be, interested in the same number of shares of the Company in which Mr. Joseph Wang is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under the provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or chief executive of the Company, as at 31 March 2020, the following persons/entities (other than the Directors or chief executive of the Company) had or were deemed to have an interest or a short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of the Company or any other member of the Group:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of underlying shares of the Company held	Approximate percentage of shareholding
Wang K M	Beneficial owner	801,600,000	66.8%

Save as disclosed above, as at 31 March 2020, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures" above, who had or were deemed to have an interest or a short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 17 January 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider that the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus and note 27 of the consolidated financial statements.

For the Financial Year 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Financial Year 2019, two non-exempt continuing connected transaction agreements have been renewed and will continue to be carried out between the Company and Genuine Treasure Construction Material Limited ("**GT Material**") and Genuine Treasure Access and Scaffolding Limited ("**GT Scaffolding**") respectively from 1 April 2019.

GT Material and GT Scaffolding are companies incorporated in Hong Kong with limited liability on 10 March 2000 and 20 December 2013 respectively. Both GT Material and GT Scaffolding are wholly-owned by Ms. Wang Mung Nien Ann, the sister of Mr. Joseph Wang, the Chairman and an executive Director, and the aunt of Mr. Benjamin Wang, an executive Director. GT Material and GT Scaffolding are therefore connected persons of the Company under the Listing Rules.

GTM Framework Agreement

On 27 March 2019, the Group renewed the agreement between the Company and GT Material for a term of three years from 1 April 2019 to 31 March 2022 (the "**GTM Framework Agreement**"), pursuant to which GT Material agreed to provide construction materials to the Group from time to time upon the request by the Group.

The Group has a good and long standing relationship with GT Material and the Group has purchased construction materials from GT Material since 2003. Construction materials purchased from GT Material are used to build timber formwork and GT Material has in the past provided tailor-made services according to the Group's product specifications. The Directors confirm that the quality and delivery of construction materials from GT Material have satisfied the Group's requirements. The GTM Framework Agreement offers no exclusivity rights to GT Material and the Group has the liberty to source any materials that may be supplied by any other supplier. The Group maintains a list of qualified suppliers which the Group purchases construction materials from. While the Group also purchases from other independent suppliers from time to time, the Directors are of the view that it will be in the interest of the Group to continue such transactions with GT Material to diversify the source of construction materials and obtain a stable supply of materials.

Taking into account that the services provided to the Group are under normal commercial terms and are reached after arm's length negotiations and are being carried out in the usual and ordinary course of business of each of the parties, the Board is of the view that the terms of the GTM Framework Agreement (including the annual caps) are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GTS Framework Agreement

On 27 March 2019, the Group renewed the agreement between the Company and GT Scaffolding for a term of three years from 1 April 2019 to 31 March 2022 (the "**GTS Framework Agreement**"), pursuant to which GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services, as well as metal scaffold assembly services to the Group from time to time. The annual cap for the three years ending 31 March 2022 are approximately HK$23,000,000, HK$25,000,000 and HK$26,000,000 respectively and were approved by the independent shareholders of the Company at the extraordinary general meeting held on 31 May 2019.

The Directors have been informed that due to the business expansion, GT Scaffolding has been providing metal scaffold assembly services to other contractors as a subcontractor. GT Scaffolding started providing metal scaffold assembly services to the Group since 2018. Having considered (i) GT Scaffolding's expertise in providing and assembling metal scaffolds; (ii) knowledge of the properties, loading capacities and correct assembling methods for the metal scaffolds it provides; (iii) the established record of assembling large scale and complex metal scaffolding falsework; (iv) the good business relationship between the Group and GT Scaffolding; and (v) the labour shortage problem faced by the construction industry in Hong Kong, the Directors are of the view that it is beneficial to the Group by enlarging its approved list of subcontractors to include GT Scaffolding for the provision of metal scaffold assembly subcontracting services. In addition, the fees to be charged by GT Scaffolding to the Group will be no less favourable than those of which the Group could obtain from independent experienced subcontractors who are capable of providing similar services.

Accordingly, the Directors are of the view that the increase in annual caps will neither result in over-reliance on GT Scaffolding nor will it become an economically unfavourable option to the Group and the Board is of the view that the terms of the GTS Framework Agreement (including the annual caps) are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Directors, including the independent non-executive Directors, consider that all of the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been and will be entered into in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and holder(s) of the Share(s) (the "**Shareholder(s)**") as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions for the year ended 31 March 2020 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in note 28 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sub-section headed "Related Party Transactions and Connected Transactions" in "Directors' Report" on pages 67 to 68 and note 30 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Financial Year 2020.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

For particulars of the contracts of significance between the Group and the Controlling Shareholders, Wang K M and Mr. Joseph Wang or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the Controlling Shareholders or their respective subsidiaries, please refer to the paragraph headed "Related Party Transactions and Connected Transactions" in "Directors' Report" on pages 67 to 68 and note 30 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for service contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the Financial Year 2020.

COMPETING BUSINESS

During the Financial Year 2020, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Joseph Wang and Wang K M (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 17 January 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the convenantors also gave certain non-competition undertakings under the Deed of Non-competition as set out in the paragraph headed "Relationship with our controlling shareholders – Non-competition undertaking" in the Prospectus.

During the Financial Year 2020, the Company had not received any information in writing from any of the Covenantors in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Covenantors or their associates (other than any member of the Group), and the Company has received an annual written confirmation from the Covenantors in respect of his/its associates' compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that the Covenantors had complied with the Deed of Non-competition.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities secured or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which include discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once every year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10 to the consolidated financial statements.

The remuneration of the senior management of the Group who are non-director and non-chief executive officer for the Financial Year 2020 falls within the following bands:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	–
HK$1,000,001 to HK$2,000,000	2
Above HK$2,000,000	1

PRE-EMPTIVE RIGHTS

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

DONATION

Charitable donations made by the Group during the Financial Year 2020 amounted to HK$689,000 (2019: HK$43,000).

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, throughout the Financial Year 2020 and as at the latest practicable date prior to the issue of this annual report, the Directors confirm that the Company maintained a sufficient public float of at least 25% in the issued share capital of the Company as required under the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Financial Year 2020.

MAJOR CUSTOMERS

During the Financial Year 2020, the Group's five largest customers accounted for approximately 94.0% (2019: 93.2%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 30.5% (2019: 29.4%) of the total revenue.

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

MAJOR SUPPLIERS

During the Financial Year 2020, the Group's five largest suppliers accounted for 51.3% (2019: 70.1%) of the total purchases of the Group and the largest supplier of the Group accounted for 16.3% (2019: 41.39%) of the total purchases.

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

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the corporate governance report on pages 24 to 34 of this annual report.

AUDITORS

The consolidated financial statements of the Group for the Financial Year 2020 were audited by HLB Hodgson Impey Cheng Limited. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting. The Company has not changed its external auditors in any of the preceding three years.

On behalf of the Board
Royal Deluxe Holdings Limited
Wang Kei Ming
Chairman and Executive Director

Hong Kong, 26 June 2020

INDEPENDENT AUDITORS' REPORT

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

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

TO THE SHAREHOLDERS OF ROYAL DELUXE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Royal Deluxe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 137, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	**How our audit addressed the key audit matter**
Recognition of revenue and costs from construction contracts and contract assets	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of revenue and contract assets in Notes 5 and 18 respectively to the consolidated financial statements. We identified the recognition of contract revenue, costs of construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets (Continued)	
.	• Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined. • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis. • Testing the actual costs incurred on construction works. • Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment applications confirmed by internal surveyor.
Impairment of trade receivables and contract assets	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of trade receivables and contract assets in Notes 17 and 18 respectively to the consolidated financial statements. We identified the impairment of trade receivables and contract assets as a key audit matter due to the use of judgements and estimates in assessing the expected credit losses of trade receivables and contract assets. In determining the expected credit losses, the Group takes into consideration the credit quality of trade receivables and contract assets using forward-looking and past collection history of the customer which may require management's judgements.	Our audit procedures in relation to impairment of trade receivables and contract assets mainly included: • Obtaining an understanding and evaluating the methodologies and assumptions used by the Group in assessing expected credit losses. • Testing on a sample basis the accuracy of ageing analysis of trade receivables. • Testing the accuracy of the historical default data and evaluating if historical loss rates have been appropriately adjusted based on forward-looking information. • Testing the accuracy of the calculation of the loss allowances as at 31 March 2020. • Testing the subsequent settlements of trade receivables on a sample basis.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 26 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	5	**706,680**	602,772
Direct costs		**(614,755)**	(496,314)
Gross profit		**91,925**	106,458
Other income, other gains and losses, net	6	**11,215**	7,075
Administration and other operating expenses		**(67,212)**	(58,427)
(Provision)/reversal of loss allowance on trade and other receivables and contract assets, net		**(241)**	2,845
Finance costs	7	**(2,725)**	(3,609)
Profit before tax	8	**32,962**	54,342
Income tax expense	9	**(6,032)**	(10,966)
Profit and total comprehensive income for the year		**26,930**	43,376
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**26,967**	43,376
Non-controlling interests		**(37)**	–
		26,930	43,376
		HK cents	HK cents
Earnings per share attributable to owners of the Company			
– Basic and diluted	12	**2.25**	3.61

Details of dividend are disclosed in Note 11 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	13	**37,527**	59,976
Right-of-use assets	14	**40,596**	–
Deposits and prepayments for life insurance policy	15	**3,896**	3,888
Club membership		**1,188**	1,188
Deferred tax assets	25	**388**	337
		83,595	65,389
Current assets			
Inventories	16	**1,849**	–
Trade and other receivables	17	**136,056**	86,285
Contract assets	18	**141,215**	110,217
Contract costs	19	**–**	1,739
Bank balances and cash	20	**65,663**	92,733
Current tax recoverable		**6,586**	10,636
		351,369	301,610
Total assets		**434,964**	366,999
Current liabilities			
Trade and other payables	21	**121,819**	90,853
Lease liabilities	22	**1,563**	–
Contract liabilities	23	**15,290**	–
Borrowings	24	**43,457**	54,676
Current tax liabilities		**3,486**	1,314
		185,615	146,843
Net current assets		**165,754**	154,767
Total assets less current liabilities		**249,349**	220,156

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred tax liabilities	25	**181**	126
Lease liabilities	22	**2,208**	–
		2,389	126
Net assets		**246,960**	220,030
Capital and reserves			
Share capital	26	**12,000**	12,000
Reserves		**234,997**	208,030
Equity attributable to owners of the Company		**246,997**	220,030
Non-controlling interests		**(37)**	–
		246,960	220,030

The consolidated financial statements on pages 76 to 137 were approved and authorised for issue by the board of directors on 26 June 2020 and signed on its behalf by:

Mr. Wang Kei Ming
Director

Mr. Wang Yu Hin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 26)	**Share premium HK$'000**	**Special reserve HK$'000** (Note)	**Retained profits HK$'000**	**Total HK$'000**	**Non– controlling interests HK$'000**	**Total equity HK$'000**
Balance at 1 April 2018	12,000	100,344	1,020	63,290	176,654	–	176,654
Profit and total comprehensive income for the year	–	–	–	43,376	43,376	–	43,376
Balance at 31 March 2019 and 1 April 2019	12,000	100,344	1,020	106,666	220,030	–	220,030
Profit and total comprehensive income for the year	**–**	**–**	**–**	**26,967**	**26,967**	**(37)**	**26,930**
Balance at 31 March 2020	**12,000**	**100,344**	**1,020**	**133,633**	**246,997**	**(37)**	**246,960**

Note:

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the corporate reorganisation undertaken on 28 June 2016 in preparation for the listing of the Company's shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 **HK$'000**	2019 HK$'000
Cash flows from operating activities		
Profit before tax	**32,962**	54,342
Adjustments for:		
Depreciation of property, plant and equipment	**3,863**	3,755
Depreciation of right-of-use assets	**2,440**	–
Amortisation of premium and other expenses charged on life insurance policy	**58**	55
Amortisation on contract costs	**1,739**	–
(Gain)/loss on written off or disposal of items of property, plant and equipment	**(131)**	4
Provision/(reversal) of loss allowance on trade and other receivables and contract assets, net	**241**	(2,845)
Interest expenses	**2,725**	3,609
Interest income	**(117)**	(15)
Interest income on deposits and prepayments for life insurance policy	**(115)**	(114)
Exchange loss	**49**	–
Operating cash flows before movements in working capital	**43,714**	58,791
Increase in inventories	**(1,849)**	–
(Increase)/decrease in trade and other receivables	**(51,625)**	5,921
Increase in contract assets	**(31,050)**	(14,834)
Increase in contract costs	**–**	(1,739)
Increase/(decrease) in trade and other payables	**30,032**	(340)
Increase in contract liabilities	**15,290**	–
Cash generated from operations	**4,512**	47,799
Interest received	**116**	14
Interest paid	**(2,417)**	(3,609)
Hong Kong Profits Tax refunded	**197**	–
Hong Kong Profits Tax paid	**(3)**	(12,671)
Net cash generated from operating activities	**2,405**	31,533
Cash flows from investing activities		
Purchases of property, plant and equipment	**(17,086)**	(1,168)
Proceeds from disposal of items of property, plant and equipment	**131**	–
Increase in restricted bank deposits	**(9)**	(3,000)
Net cash used in investing activities	**(16,964)**	(4,168)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**76,700**	83,107
Repayment of borrowings		**(87,919)**	(77,805)
Repayment of lease liabilities		**(1,301)**	–
Net cash (used in)/generated from financing activities		**(12,520)**	5,302
Net (decrease)/increase in cash and cash equivalents		**(27,079)**	32,667
Cash and cash equivalents at the beginning of year		**89,733**	57,066
Cash and cash equivalents at the end of year	20	**62,654**	89,733

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Royal Deluxe Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the companies law of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Kei Ming ("Mr. Joseph Wang"), an executive director of the Company.

The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22nd Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong.

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

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

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

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

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

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

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

HKFRS 16 *Leases*

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

Definition of a lease

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

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

As a lessee

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

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

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

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

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	511
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(511)
Lease liabilities as at 1 April 2019	–

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

HKFRS 16 *Leases* (Continued)

As a lessee (Continued)

Upon the adoption of HKFRS 16 at 1 April 2019, the Group reclassified leasehold land under operating leases from property, plant and equipment to right-of-use assets for presentation purpose.

The recognised right-of-use assets relate to the following type of asset:

	1 April 2019 HK$'000
Leasehold land	38,126

Changes in accounting policies affected the following items in the consolidated statement of financial position on 1 April 2019. Line items that were not affected by the change have not been included.

	31 March 2019 HK$'000	**Effects of the adoption of HKFRS 16** HK$'000	**1 April 2019** HK$'000
Non-current assets			
Property, plant and equipment	59,976	(38,126)	21,850
Right-of-use assets	–	38,126	38,126

For the purpose of reporting cash flows for the year ended 31 March 2020, movements have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

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

HKFRS 17 *Insurance Contracts*

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The International Accounting Standards Board ("IASB") proposed a one-year deferral of the effective date for IFRS 17 and extend the temporary exemption for insurers to apply IFRS 9 *Financial Instruments*. The relevant amendments have not been finalised yet. Finalisation of the relevant amendments by the IASB is expected to have similar deferral on HKFRS 17 (the equivalent of IFRS 17).

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Company do not anticipate that the application of the standard in the future will have an impact on the Group's consolidated financial statements.

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

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

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

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 *Financial Instruments: Recognition and Measurement*, which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 *Financial Instruments: Disclosures* regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

The directors of the Company do not anticipate that the application of the standard in the future will have an impact on the Group's consolidated financial statements.

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

The New Framework:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

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

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

Revenue from contracts with customers

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (to specify), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

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

Variable consideration

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Costs to fulfil a contract

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

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

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

Leases

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

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

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

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

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Short-term leases and leases of low-value assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Lease liabilities (Continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group as a lessee (prior to 1 April 2019)

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

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

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

Foreign currencies

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

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

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

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

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

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

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

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 rates (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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with infinite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

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

Interest income which are derived from the Group's ordinary course of business are presented as other income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

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

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

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

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

The Group recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) 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.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

- Nature of financial instruments (i.e. the Group's trade receivables and contract assets are each assessed as a separate group, bank balances and other receivables are assessed on an individual basis);
- Past-due status;
- Historical repayment basis;
- Nature, size and industry of debtors; and
- Internal and/or external credit ratings where available.

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

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

Derecognition of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, lease liabilities and borrowings) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (ii) the entity and the Group are joint ventures of the same third party;
- (vi) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The followings are the key assumptions concerning the futures, and other key sources of estimation uncertainty at the end of each 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.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Construction contracts revenue recognition

The Group recognises its contract revenue over time by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period, measured based on the surveys of work performed to date of the individual contract of construction works relative to total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

Provision of ECL for trade receivables and contract assets

The management of the Group estimates the amount of lifetime ECL for trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, past due status and repayment history of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about lifetime ECL for the Group's trade receivables and contract assets are disclosed in Note 32(b).

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

Disaggregation of revenue from contracts with customers

	2020 **HK$'000**	2019 HK$'000
Types of goods and services		
– Provision of formwork erection and related ancillary services	**650,014**	588,980
– Provision of fit-out services	**56,666**	13,792
	706,680	602,772
Timing of revenue recognition		
– Over time	**706,680**	602,772

Performance obligation for contracts with customers

The Group provides formwork erection and related ancillary services and fit-out services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the progress towards completion of the contract using output method.

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020 amounted to approximately HK$629,808,000 (2019: HK$615,544,000). Management expects that all the remaining performance obligations will be recognised as revenue ranging from one to four years (2019: one to six years) from the end of the reporting period.

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

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

	2020 **HK$'000**	2019 HK$'000
Customer A	**127,286**	177,316
Customer B	**136,447**	119,977
Customer C	**107,473**	104,582
Customer D	**N/A[1]**	91,555
Customer E	**–**	68,631
Customer F	**215,283**	N/A[1]
Customer G	**77,731**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2020 **HK$'000**	2019 HK$'000
Other income		
Bank interest income	**117**	15
Interest income on deposits and prepayments for life insurance policy	**115**	114
Income from sale of scrap materials	**4,864**	3,216
Sundry income	**6,013**	3,738
	11,109	7,083
Other gains and losses, net		
Net foreign exchange loss	**(25)**	(4)
Gain/(loss) on written off or disposal of items of property, plant and equipment	**131**	(4)
	106	(8)
	11,215	7,075

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings and overdrafts	**2,563**	3,609
Interest on leases liabilities	**162**	–
	2,725	3,609

8. PROFIT BEFORE TAX

	2020 HK$'000	2019 HK$'000
Profit before tax has been arrived at after charging:		
Employee benefits expense (Note (i)):		
Salaries and other benefits in kind	**90,431**	102,709
Discretionary bonuses	**11,031**	11,999
Contributions to retirement benefit scheme	**2,547**	2,930
Total employee benefits expense, including directors' emoluments (Note 10)	**104,009**	117,638
Amortisation of premium and other expenses charged on life insurance policy	**58**	55
Auditors' remuneration	**1,200**	1,200
Depreciation of property, plant and equipment (Note (ii))	**3,863**	3,755
Depreciation of right-of-use assets (Note (iii))	**2,440**	–
Amortisation of contract costs	**1,739**	–
Operating lease rentals in respect of:		
– Land and buildings	**–**	1,073
– Plant and equipment	**–**	16,362
Short-term lease expenses in respect of:		
– Land and buildings	**809**	–
– Plant and equipment	**20,356**	–

Notes:

(i) During the year ended 31 March 2020, total employee benefits expense amounting to approximately HK$59,705,000 (2019: HK$78,782,000) was included in direct costs and amounting to approximately HK$44,304,000 (2019: HK$38,856,000) was included in administration and other operating expenses.

(ii) During the year ended 31 March 2020, depreciation of property, plant and equipment of approximately HK$1,416,000 (2019: Nil) was charged to direct costs and approximately HK$2,447,000 (2019: HK$3,755,000) was charged to administration and other operating expenses.

(iii) During the year ended 31 March 2020, depreciation of right-of-use assets of approximately HK$1,091,000 was charged to direct costs and approximately HK$1,349,000 was charged to administration and other operating expenses.

9. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current income tax:		
– Hong Kong Profits Tax	**6,100**	10,218
Adjustment in respect of prior years	**(72)**	248
Total current income tax	**6,028**	10,466
Deferred tax (Note 25)	**4**	500
Total income tax expense recognised in profit or loss	**6,032**	10,966

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$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the years ended 31 March 2020 and 2019.

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

	2020 HK$'000	2019 HK$'000
Profit before tax	**32,962**	54,342
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**5,439**	8,966
Tax effect of temporary differences not recognised	**(2,468)**	(406)
Tax effect of income not taxable for tax purpose	**(48)**	(3)
Tax effect of expenses not deductible for tax purpose	**1,076**	1,101
Tax effect of tax losses not recognised	**2,314**	1,287
Tax effect of the two-tiered profits tax rates regime	**(165)**	(165)
Adjustment in respect of prior years	**(72)**	248
Tax reduction	**(44)**	(62)
Income tax expense for the year	**6,032**	10,966

As at 31 March 2020, the Group had unused tax losses of approximately HK$26,436,000 (2019: HK$11,206,000), subject to agreement by the Inland Revenue Department, that are available for offset against future profits and may be carried forward indefinitely.

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

(a) Directors' and chief executive's emoluments

Details of the emoluments to each of the directors and chief executive of the Company are as follows:

	Fees	Salaries and other benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2020					
Executive directors					
Mr. Joseph Wang	**–**	**12,000**	**5,000**	**18**	**17,018**
Mr. Wang Yu Hin	**–**	**1,628**	**316**	**18**	**1,962**
Independent non-executive directors					
Mr. Kwong Ping Man	**192**	**–**	**–**	**–**	**192**
Mr. Lai Ah Ming Leon	**192**	**–**	**–**	**–**	**192**
Mr. Sio Kam Seng	**192**	**–**	**–**	**–**	**192**
Chief executive officer					
Ms. Chao Lai Heng	**–**	**4,800**	**400**	**18**	**5,218**
	576	**18,428**	**5,716**	**54**	**24,774**
For the year ended 31 March 2019					
Executive directors					
Mr. Joseph Wang	–	12,000	5,000	18	17,018
Mr. Wang Yu Hin	–	1,423	275	18	1,716
Independent non-executive directors					
Mr. Kwong Ping Man	180	–	–	–	180
Mr. Lai Ah Ming Leon	180	–	–	–	180
Mr. Sio Kam Seng	180	–	–	–	180
Chief executive officer					
Ms. Chao Lai Heng	–	4,800	400	18	5,218
	540	18,223	5,675	54	24,492

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

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 March 2020 (2019: Nil).

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two were directors and one was chief executive officer (2019: two were directors and one was chief executive officer) of the Company whose emoluments are disclosed above. The emoluments in respect of the remaining two (2019: two) highest paid individuals are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits in kind	**2,797**	2,616
Discretionary bonuses	**2,339**	2,339
Contributions to retirement benefit scheme	**36**	36
	5,172	4,991

The emoluments of the highest paid employees who are non-director and non-chief executive whose emoluments fell within the following bands are as follow:

	Number of individuals	
	2020	2019
HK$1,500,001 to HK$2,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	1
	2	2

During the years ended 31 March 2020 and 2019, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDEND

The board of directors has proposed the payment of a final dividend of HK0.449 cents (2019: Nil) per ordinary share, amounting to approximately HK$5,388,000 (2019: Nil). The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

	2020 **HK$'000**	2019 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**26,967**	43,376

	2020 **'000**	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,200,000**	1,200,000

The diluted earnings per share is equal to the basic earnings per share as there is no potential ordinary share in issue during the years ended 31 March 2020 and 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings (2019: Land and buildings) HK$'000	Leasehold improvements HK$'000	Plant and equipment HK$'000	Office and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
Balance at 1 April 2018	57,989	4,164	–	2,397	2,007	5,595	72,152
Additions	–	–	–	1,084	84	–	1,168
Disposals	–	–	–	(7)	–	–	(7)
Balance at 31 March 2019	57,989	4,164	–	3,474	2,091	5,595	73,313
Adjustment upon application of HKFRS 16	**(40,488)**	**–**	**–**	**–**	**–**	**–**	**(40,488)**
Balance at 1 April 2019 (restated)	**17,501**	**4,164**	**–**	**3,474**	**2,091**	**5,595**	**32,825**
Additions	**–**	**963**	**13,623**	**4,580**	**59**	**315**	**19,540**
Disposals	**–**	**–**	**–**	**(15)**	**(5)**	**(557)**	**(577)**
Balance at 31 March 2020	**17,501**	**5,127**	**13,623**	**8,039**	**2,145**	**5,353**	**51,788**
Accumulated depreciation							
Balance at 1 April 2018	1,288	1,477	–	1,060	1,398	4,362	9,585
Depreciation expense	1,718	701	–	499	214	623	3,755
Eliminated on disposals	–	–	–	(3)	–	–	(3)
Balance at 31 March 2019	3,006	2,178	–	1,556	1,612	4,985	13,337
Adjustment upon application of HKFRS 16	**(2,362)**	**–**	**–**	**–**	**–**	**–**	**(2,362)**
Balance at 1 April 2019 (restated)	**644**	**2,178**	**–**	**1,556**	**1,612**	**4,985**	**10,975**
Depreciation expense	**369**	**846**	**1,214**	**673**	**207**	**554**	**3,863**
Eliminated on disposals	**–**	**–**	**–**	**(15)**	**(5)**	**(557)**	**(577)**
Balance at 31 March 2020	**1,013**	**3,024**	**1,214**	**2,214**	**1,814**	**4,982**	**14,261**
Carrying amounts							
Balance at 31 March 2020	**16,488**	**2,103**	**12,409**	**5,825**	**331**	**371**	**37,527**
Balance at 31 March 2019	54,983	1,986	–	1,918	479	610	59,976

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

Buildings	Over the shorter of the terms of the leases or useful life
Leasehold improvements	Over the shorter of lease term or 25%
Office and other equipment	20%
Furniture and fixtures	25%
Motor vehicles	25%
Plant and equipment	20%

14. RIGHT-OF-USE ASSETS

	Warehouse	Leasehold land	Total
	HK$'000	HK$'000	HK$'000
As at 1 April 2019			
Carrying amounts	–	38,126	38,126
For the year ended 31 March 2020			
Additions	4,910	–	4,910
Depreciation charge	(1,091)	(1,349)	(2,440)
As at 31 March 2020			
Carrying amounts	3,819	36,777	40,596

	2020 HK$'000
Expenses relating to short-term leases and other leases with lease terms ending within 12 months of the date of initial application of HKFRS 16	21,165
Total cash outflow for leases	
– Within operating cash flows	21,165
– Within financing cash flows	1,301

For both years, the Group leases various premises for its operations. Lease contracts are entered into for fixed term of 3 months to 3 years, but some may have extension option as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns certain office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for scaffolding and equipment.

Extension option

The Group has extension option in certain lease contract. The extension option held is exercisable by the Group. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. The potential exposures to these future lease payments for extension option in which the Group is not reasonably certain to exercise is summarised below:

	Lease libilities recognised as at at 31 March 2020 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000
Warehouse – Hong Kong	3,771	3,471

15. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure Mr. Joseph Wang. Under the policy, Ming Tai Construction Engineering Company Limited ("Ming Tai Construction"), an indirect wholly-owned subsidiary of the Company, is the beneficiary and policy holder and the total insured sum is United States Dollars ("US$") 1,033,000 (equivalent to approximately HK$8,021,000). Ming Tai Construction is required to pay upfront deposits of approximately US$500,000 (equivalent to approximately HK$3,883,000). Ming Tai Construction can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US$500,000 (equivalent to approximately HK$3,883,000) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the twentieth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ming Tai Construction a minimum guaranteed interest of 3% per annum for the insured period.

The directors of the Company consider that the possibility of terminating the policy during the first to twentieth policy year was low and the expected life of the life insurance policy remains unchanged since its initial recognition. The deposits and prepayments for life insurance policy are denominated in US$.

16. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials and consumables	**1,849**	–

17. TRADE AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables	**110,565**	81,976
Less: loss allowance for trade receivables	**(578)**	(407)
	109,987	81,569
Deposits and other receivables	**1,271**	841
Prepayments	**24,825**	3,884
Less: loss allowance for deposits and other receivables	**(27)**	(9)
	136,056	86,285

The Group allows a credit period ranging from 7 to 45 days (2019: 7 to 56 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

17. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables presented based on the date of progress certificates issued by customers, at the end of the reporting period, are as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	**81,354**	44,769
31 – 60 days	**26,187**	30,024
61 – 90 days	**3,004**	7,011
Over 180 days	**20**	172
	110,565	81,976

Details of impairment assessment of trade and other receivables are set out in Note 32(b).

18. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Analysed as current:		
Retention receivables of construction contracts (Note (a))	**61,318**	44,337
Unbilled revenue of construction contracts (Note (b))	**80,796**	66,727
Less: loss allowance for contract assets	**(899)**	(847)
	141,215	110,217

Notes:

(a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually one to two years after the completion of construction work.

(b) 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 upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time when the Group obtains the certification of the completed construction work from the customers.

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

Details of the impairment assessment of contract assets are set out in Note 32(b).

19. CONTRACT COSTS

	2020 HK$'000	2019 HK$'000
Cost to fulfil contracts:		
– Materials	–	1,739

Contract costs capitalised as at 31 March 2019 relate to materials acquired to be used in satisfying or continuing to satisfy performance obligations of respective construction contracts in the future. Contract costs are recognised as part of direct costs in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related construction contracts is recognised.

20. BANK BALANCES AND CASH

	2020 HK$'000	2019 HK$'000
Bank balances and cash in the consolidated statement of financial position	**65,663**	92,733
Less: restricted bank balances	**(3,009)**	(3,000)
Cash and cash equivalents in the consolidated statement of cash flows	**62,654**	89,733

Restricted bank balances are short-term fixed deposits with interest rate at 0.30% (2019: 0.30%) per annum and placed in bank to secure general banking facilities as at 31 March 2020.

Bank balances earn interests at floating rate based on daily bank deposit rates and are placed with creditworthy banks with no recent history of default.

21. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**39,486**	33,470
Bills payables	**16,518**	18,748
Retention payables	**11,564**	7,413
Other payables and accruals	**54,251**	31,222
	121,819	90,853

The credit period on trade payables is generally 30 to 60 days (2019: 30 to 60 days).

As at 31 March 2020, included in trade payables was approximately HK$1,806,000 (2019: HK$2,984,000) payable to a related company, Genuine Treasure Construction Material Limited. Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Construction Material Limited.

21. TRADE AND OTHER PAYABLES (Continued)

As at 31 March 2020, included in trade payables was approximately HK$6,065,000 (2019: HK$5,823,000) payable to a related company, Genuine Treasure Access and Scaffolding Limited. Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

The ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period, are as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	**19,109**	17,460
31 – 60 days	**10,505**	3,626
61 – 90 days	**4,568**	7,572
91 – 180 days	**4,329**	4,172
Over 180 days	**975**	640
	39,486	33,470

As at 31 March 2020, bills payables have original maturities of ranging from 120 days to 124 days (2019: from 120 days to 123 days).

Except for retention payables of approximately HK$3,157,000 (2019: HK$2,342,000) as at 31 March 2020 which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

22. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable	
Within one year	**1,563**
Within a period of more than one year but not more than two years	**1,657**
Within a period of more than two years but not more than five years	**551**
	3,771
Less: amount due for settlement within 12 months shown under current liabilities	**(1,563)**
Amount due for settlement after 12 months shown under non-current liabilities	**2,208**

23. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Analysed as current:		
Construction services	**15,290**	–

When the Group receives payment in advance before the construction activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on satisfaction of performance obligation in relevant contract. The significant increase in contract liabilities was due to advance payment relating to a customer of a construction contract.

24. BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank loans – secured	**43,457**	54,676

Notes:

(i) All bank loans of the Group as at 31 March 2020 and 2019 contain unconditional repayment on demand clauses and are included in current liabilities.

(ii) As at 31 March 2020, the bank loans bear interest at floating rates ranging from 4.03% to 5.34% per annum (2019: 3.68% to 5.27% per annum).

(iii) The Group's banking facilities granted by certain banks were secured/guaranteed by:

- Unlimited corporate guarantee by the Company as at 31 March 2020 and 2019;
- Leasehold land included in right-of-use assets and building included in property, plant and equipment (2019: land and building included in property, plant and equipment) owned by the Group with aggregate carrying amount of approximately HK$44,008,000 (2019: HK$45,428,000) and an assignment of insurance policy in respect of the property as at 31 March 2020;
- Charge over account with certain banks of approximately HK$40,316,000 (2019: HK$26,608,000) as at 31 March 2020;
- Deed of assignment of receivables with carrying amount of Nil (2019: approximately HK$20,707,000) as at 31 March 2020;
- Charge on fixed deposits for approximately HK$3,009,000 (2019: HK$3,000,000) as at 31 March 2020; and
- Deed of charge for unlimited amount securing moneys due in respect of a factoring agreement with a bank as at 31 March 2020 and 2019.

25. DEFERRED TAX

The movements in the Group's deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	ECL provision	Losses available for offsetting against future taxable profits	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2018	678	104	782
(Charged)/credited to profit or loss	(469)	24	(445)
At 31 March 2019 and 1 April 2019	209	128	337
Credited to profit or loss	**38**	**13**	**51**
At 31 March 2020	**247**	**141**	**388**

Deferred tax liabilities

	Depreciation allowances in excess of the related depreciation
	HK$'000
At 1 April 2018	71
Charged to profit or loss	55
At 31 March 2019 and 1 April 2019	126
Charged to profit or loss	**55**
At 31 March 2020	**181**

Deferred tax assets have been recognised in respect of approximately HK$860,000 (2019: HK$778,000) of the Group's tax losses at 31 March 2020. Deferred tax assets have not been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams in certain group entities.

26. SHARE CAPITAL

	Number of Ordinary shares	Share capital HK$
Ordinary share of HK$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 2020	**2,000,000,000**	**20,000,000**
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 2020	**1,200,000,000**	**12,000,000**

27. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") pursuant to a resolution passed on 17 January 2017. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional 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.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant any employees (full-time or part-time), directors, consultants or advisers of the Group, or any substantial shareholder of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, options to subscribe for shares of the Company. The basis of eligibility of any participant to the grant of any option shall be determined by the board of directors (or as the case may be, the independent non-executive directors) from time to time on the basis of the contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange.

The 10% limit as mentioned above may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

27. SHARE OPTION SCHEME (Continued)

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by Company's shareholders in general meeting with such grantee and his close associates abstaining from voting. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Company's shareholders and the date of board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

Share options granted to a director, chief executive or substantial shareholder of the Company (or any of their respective close associates) must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option). Where any grant of options to a substantial shareholder or an independent non-executive director (or any of their respective close associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options is required to be approved by the Company's shareholders at general meeting of the Company, with voting to be taken by way of poll. Any change in the terms of an option granted to a substantial shareholder or an independent non-executive director or any of their respective close associates is also required to be approved by the Company's shareholders in the aforesaid manner.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the board of directors and notified to a participant and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of a share on the date of grant of the option.

The Scheme will remain in force for a period of ten years commencing from 17 January 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Company's shareholders in general meeting.

There was no share option granted to eligible participants during the year ended 31 March 2020 (2019: Nil). There were no outstanding share options as at 31 March 2020 (2019: Nil).

28. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of an independent trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group in respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,547,000 (2019: HK$2,930,000) and represent contributions paid or payable to the MPF Scheme by the Group for the year ended 31 March 2020.

29. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of reporting period not provided for in the consolidated financial statements are as follows:

	2020	2019
	HK$'000	HK$'000
Contracted but not provided for:		
Property, plant and equipment	–	130

(b) Operating lease commitments – Group as lessee

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019
	HK$'000
Within one year	511

As at 31 March 2019, operating lease relates to premises with original lease terms of 3 months to 2 years and the rentals are fixed throughout the lease period.

30. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

Details of outstanding balances with related parties are set out in Note 21.

(b) Material related party transactions

The Group entered into the following material related party transactions during the year:

Name of related parties	Nature	2020 HK$'000	2019 HK$'000
Genuine Treasure Construction Material Limited (Note (i))	Purchase of construction materials	**5,517**	2,861
	Transportation and plant hiring charge	**2,467**	1,808
Genuine Treasure Access and Scaffolding Limited (Note (ii))	Scaffolding & equipment rental charge	**19,735**	14,553
	Metal scaffold assembly services	**157**	137

Notes:

(i) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.

(ii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

(iii) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

The related party transactions in respect of items (i) and (ii) above also constitute connected transactions and/or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	**31,409**	32,101
Post-employment benefits	**108**	126
	31,517	32,227

31. 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 net debt, which includes borrowings and lease liabilities net of cash and cash equivalents, and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, the Group manages its overall capital structure through the payment of dividends and the issue of new shares.

The net debt-to-equity ratio at the end of the reporting period is as follows:

	2020 **HK$'000**	2019 HK$'000
Debts (Note (i))	**47,228**	54,676
Less: cash and cash equivalents (Note (ii))	**(62,654)**	(89,733)
Net debt	**(15,426)**	(35,057)
Equity (Note (iii))	**246,960**	220,030
Net debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debts represent borrowings and lease liabilities as detailed in Notes 24 and 22 respectively.

(ii) Cash and cash equivalents as detailed in Note 20.

(iii) Equity includes all capital, reserves and non-controlling interests.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost	**176,894**	175,134
Financial liabilities		
Financial liabilities at amortised cost	**169,047**	145,529

(b) Financial risk management objectives and policies

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

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances for the years ended 31 March 2020 and 2019 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

(ii) Interest rate risk management

The Group's exposure to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 24 for details of the borrowings). The Group continuously evaluates its debt portfolio to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's variable-rate bank borrowings.

The directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period and the interest rates of bank deposits are not expected to change significantly.

32. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk management (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank borrowings 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 basis points increase or decrease are used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate on borrowings had been 100 basis points higher and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2020 and 2019 would decrease by approximately HK$250,000 and HK$457,000 respectively as a result of the Group's exposure to interest rates on its variable-rate bank borrowings. If interest rate had been 100 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the post-tax profit.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year ended exposure does not reflect the exposure during the year.

(iii) Price risk

As the Group has no significant investments in financial assets measured at FVTPL or FVTOCI, the Group is not exposed to significant equity price risk.

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

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

At 31 March 2020, the Group had certain concentration of credit risk as 52% (2019: 38%) and 11% (2019: 19%) of the Group's trade receivables and contract assets respectively were due from the Group's largest single customer.

In order to minimise the credit risk, the management of the Group monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

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

Internal credit rating	Description	Trade receivables/ contract assets	Bank balances/ deposits and other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settles after due date	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no reasonable expectations of recovery	Amount is written off	Amount is written off

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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

	12m or lifetime ECL	**2020 Gross carrying amounts**	2019 Gross carrying amounts
Financial assets at amortised costs			
Trade receivables (Note (iii))	Lifetime ECL	**110,565**	81,976
Deposits and other receivables (Note(ii))	12m ECL	**1,261**	841
Other receivables	Lifetime ECL	**10**	–
Bank balances (Note (i))	12m ECL	**65,661**	92,733
Other items			
Contract assets (Note(iii))	Lifetime ECL	**142,114**	111,064

Notes:

(i) All bank balances were placed in banks with high credit rating assigned by international credit-rating agencies or with good reputation. In the opinion of the directors of the Company, credit risk on these bank balances is insignificant.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The balances of these deposits and other receivables are not past due.

(iii) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items individually and/or by using a provision matrix, grouped by combined effect of internal credit rating and/or external credit ratings where available, past due status and repayment history for general customers.

The loss allowances for trade receivables, deposits and other receivables and contract assets were determined as follows:

	Weighted average loss rate	**Gross carrying amounts** HK$'000	**Loss allowances** HK$'000	**Net carrying amounts** HK$'000
As at 31 March 2020				
Trade receivables	**0.52%**	**110,565**	**(578)**	**109,987**
Deposits and other receivables	**2.12%**	**1,271**	**(27)**	**1,244**
Contract assets	**0.63%**	**142,114**	**(899)**	**141,215**
As at 31 March 2019				
Trade receivables	0.50%	81,976	(407)	81,569
Deposits and other receivables	1.07%	841	(9)	832
Contract assets	0.76%	111,064	(847)	110,217

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL that has been recognised or reversed for trade receivables and contract assets under the simplified approach and ECL that has been recognised or reversed for deposits and other receivables.

	Trade receivables		Contract assets	Deposits and other receivables			
	Lifetime ECL– not credit-impaired	Lifetime ECL– credit-impaired	Lifetime ECL– not credit-impaired	12m ECL	Lifetime ECL– not credit-impaired	Lifetime ECL – credit-impaired	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2018	2,605	–	1,365	28	–	110	4,108
Loss allowance reversed	(2,605)	–	(1,104)	(22)	–	(110)	(3,841)
Loss allowance recognised	382	25	586	3	–	–	996
As at 31 March 2019	382	25	847	9	–	–	1,263
Loss allowance reversed	**(382)**	**(25)**	**(277)**	**(6)**	**–**	**–**	**(690)**
Loss allowance recognised	**564**	**14**	**329**	**17**	**–**	**7**	**931**
As at 31 March 2020	**564**	**14**	**899**	**20**	**–**	**7**	**1,504**

Changes in the loss allowances for trade receivables and contract assets are mainly due to changes in the gross amounts of trade receivables and contract assets during the year and impact of changing economic environment and customers' credit risk profile.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

32. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans 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.

	Weighted average effective interest rate	On demand or within one year HK$'000	One to five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amounts HK$'000
As at 31 March 2020					
Non-derivative financial liabilities					
Trade and other payables	**–**	**121,819**	**–**	**121,819**	**121,819**
Lease liabilities	**6.0%**	**1,736**	**2,291**	**4,027**	**3,771**
Borrowings	**4.9%**	**43,457**	**–**	**43,457**	**43,457**
		167,012	**2,291**	**169,303**	**169,047**
As at 31 March 2019					
Non-derivative financial liabilities					
Trade and other payables	–	90,853	–	90,853	90,853
Borrowings	4.2%	54,676	–	54,676	54,676
		145,529	–	145,529	145,529

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank loans based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

	Weighted average effective interest rate	Within one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Bank loans – secured						
As at 31 March 2020	**4.9%**	**29,454**	**5,104**	**15,641**	**50,199**	**43,457**
As at 31 March 2019	4.2%	36,224	9,132	16,446	61,802	54,676

32. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank loans	**Lease liabilities**	**Total**
	HK$'000	HK$'000	HK$'000
	(Note 24)	(Note 22)	
At 1 April 2018	49,374	–	49,374
Proceeds from borrowings	83,107	–	83,107
Repayment of borrowings	(77,805)	–	(77,805)
At 31 March 2019 and 1 April 2019	54,676	–	54,676
Proceeds from borrowings	**76,700**	**–**	**76,700**
Repayment of borrowings	**(87,919)**	**–**	**(87,919)**
New lease entered	**–**	**4,910**	**4,910**
Interest on lease liabilities	**–**	**162**	**162**
Repayment of lease liabilities	**–**	**(1,301)**	**(1,301)**
At 31 March 2020	**43,457**	**3,771**	**47,228**

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2020 are set out as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
MT Construction Limited	British Virgin Islands (the "BVI")	US$1	100% (direct)	Investment holding
MT Engineering Limited	BVI	US$1	100% (direct)	Investment holding
MT Technology Limited	BVI	US$1	100% (direct)	Investment holding
MT Sunshine Limited	BVI	US$1	100% (direct)	Dormant
Lucky Profit Enterprises Limited	BVI	US$100	100% (direct)	Investment holding
Ming Tai Construction	Hong Kong	HK$1,000,000	100% (indirect)	Provision of formwork erection and related ancillary services
Ming Tai Civil Engineering Company Limited	Hong Kong	HK$10,000	100% (indirect)	Provision of formwork erection and related ancillary services
Genuine Treasure Construction Technology Company Limited	Hong Kong	HK$10,000	100% (indirect)	Development of construction technology and related consultancy services
Harvest Full Properties Limited	Hong Kong	HK$100	100% (indirect)	Properties holding and investment
Rich Tone Capital Resources Limited	Hong Kong	HK$100	100% (indirect)	Investment holding
Win Tai Billion Limited	Hong Kong	HK$100	100% (indirect)	Building construction
Apex Union Development Limited	Hong Kong	HK$100	100% (indirect)	Investment holding
Champion Time Engineering Limited	Hong Kong	HK$100	100% (indirect)	Provision of fit-out services
H.S. Design Service Company Limited	Hong Kong	HK$100	100% (indirect)	Provision of engineering design services
MTG Formwork Company Limited	Hong Kong	HK$100	55% (indirect)	Dormant
Ming Tai (Macau) Construction Engineering Limited	Macau	Macau Pataca 25,000	100% (indirect)	Dormant

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments in subsidiaries	**62,585**	62,585
Current assets		
Prepayments	**190**	206
Amounts due from subsidiaries	**89,488**	46,902
Bank balances and cash	**10,575**	51,507
	100,253	98,615
Total assets	**162,838**	161,200
Current liabilities		
Other payables and accruals	**1,517**	1,403
Amount due to a subsidiary	**19**	3,704
	1,536	5,107
Net current assets	**98,717**	93,508
Net assets	**161,302**	156,093
Capital and reserves		
Share capital	**12,000**	12,000
Reserves	**149,302**	144,093
Total equity	**161,302**	156,093

Mr. Wang Kei Ming
Director

Mr. Wang Yu Hin
Director

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

MOVEMENT IN THE COMPANY'S RESERVES

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2018	100,344	129,214	(78,050)	151,508
Loss and total comprehensive expense for the year	–	–	(7,415)	(7,415)
Balance at 31 March 2019 and 1 April 2019	100,344	129,214	(85,465)	144,093
Profit and total comprehensive income for the year	**–**	**–**	**5,209**	**5,209**
Balance at 31 March 2020	**100,344**	**129,214**	**(80,256)**	**149,302**

Special reserve

Special reserve represents the difference between the nominal value of shares issued by the Company pursuant to the corporate reorganisation undertaken on 28 June 2016 and the aggregate net asset value of the subsidiaries acquired.

36. ARBITRATION

Ming Tai Construction, a wholly-owned subsidiary of the Group, submitted two applications for arbitration (the "Applications") to the Hong Kong International Arbitration Centre against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "Joint Venture") in year 2019. Pursuant to the Applications, Ming Tai Construction (as the "Applicant") initiated an arbitration against the Joint Venture (as the "Respondent") in respect of disputes arising from two subcontracts. The Respondent indicated to counterclaim against the Applicant.

The Applicant claims, among others, that the Joint Venture failed to properly assess extensions of time and value sums due to Ming Tai Construction under the two subcontracts entered between Ming Tai Construction and the Joint Venture in June 2012 and September 2015, respectively, and caused delay and disruption to the progress and completion of the subcontract works and such delay and disruption caused Ming Tai Construction to incur loss and/or expense. The Applicant seeks, among other things, relief for the extension of time for the two subcontracts and loss suffered by them in the aggregate amount of approximately HK$273 million, being the outstanding payment by the Joint Venture under the two subcontracts.

During the year ended 31 March 2020, the Applicant has filed its statement of claim in December 2019 and the Respondent has subsequently filed a request for further and better particulars of the statement of claims in February 2020. Subsequent to the reporting period, a case management conference has been agreed to be held in July 2020 to ensure efficient conduct of the arbitration proceedings.

As at the date of the approval of these consolidated financial statements, the hearing of the aforementioned arbitration has not yet commenced and the effects on the Group cannot be assessed at this moment.

37. NON-CONTROLLING INTERESTS

The directors of the Company consider that the non-controlling interests of the Group during the reporting period were insignificant to the Group and thus no summarised financial information of the non-wholly owned subsidiary is required to be presented in the consolidated financial statements.

38. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 pandemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by the COVID-19 pandemic and will continue to evaluate its impact on the Group. Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**706,680**	602,772	673,275	603,839	481,943
Direct costs	**(614,755)**	(496,314)	(563,636)	(487,301)	(389,711)
Gross profit	**91,925**	106,458	109,639	116,538	92,232
Profit before tax	**32,962**	54,342	67,977	78,380	61,998
Income tax expense	**(6,032)**	(10,966)	(11,917)	(14,597)	(12,207)
Profit and total comprehensive income for the year	**26,930**	43,376	56,060	63,783	49,791
Attributable to:					
– Owners of the Company	**26,967**	43,376	56,060	63,783	49,791
– Non-controlling interests	**(37)**	–	–	–	–
	26,930	43,376	56,060	63,783	49,791

ASSETS AND LIABILITIES

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**434,964**	366,999	376,383	309,432	260,489
Total liabilities	**(188,004)**	(146,969)	(152,915)	(142,024)	(141,208)
	246,960	220,030	223,468	167,408	119,281
Equity attributable to:					
– Owners of the Company	**246,997**	220,030	223,468	167,408	119,281
– Non-controlling interests	**(37)**	–	–	–	–
	246,960	220,030	223,468	167,408	119,281