Wing Chi Holdings Limited
榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6080

2020
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Cheuk Kam *(Chairman and Chief Executive Officer)*
Mr. Li Wai Fong
Mr. Liauw Hung (retired on 15 August 2019)

Non-executive Director

Mr. Poon Wai Kong

Independent Non-executive Directors

Mr. Wong Chik Kong
Mr. Chan Chung Kik Lewis
Mr. Lee Kwok Lun

AUDIT COMMITTEE

Mr. Chan Chung Kik Lewis *(Chairman)*
Mr. Wong Chik Kong
Mr. Lee Kwok Lun

NOMINATION COMMITTEE

Mr. Li Cheuk Kam *(Chairman)*
Mr. Chan Chung Kik Lewis
Mr. Wong Chik Kong
Mr. Lee Kwok Lun

REMUNERATION COMMITTEE

Mr. Wong Chik Kong *(Chairman)*
Mr. Chan Chung Kik Lewis
Mr. Lee Kwok Lun
Mr. Li Cheuk Kam

COMPANY SECRETARY

Ms. Li Mei Wai

AUTHORISED REPRESENTATIVES

Mr. Li Cheuk Kam
Ms. Li Mei Wai

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKS

Nanyang Commercial Bank, Ltd.

AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants
43rd Floor
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

TC & Co.
Solicitors, Hong Kong
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Hong Kong

COMPANY'S WEBSITE

www.wingchiholdings.com

STOCK CODE

6080

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Wing Chi Holdings Limited (the "**Company**", which, together with its subsidiaries, is referred to as (the "**Group**"), I am delighted to report the annual results of the Group for the year ended 31 March 2020.

The Group is a Hong Kong based subcontractor principally engaged in foundation and site formation works. This year is a difficult year for the Group. For the year ended 31 March 2020, the Group recorded revenue of approximately HK$326.5 million, representing a decrease of approximately 16.8% as compare to that of approximately HK$392.5 million for the year ended 31 March 2019. Despite of the decrease in revenue, the Group recorded a significant reduction in the loss attributable to shareholders of the Company (the "**Shareholders**") for the year ended 31 March 2020 of approximately HK$13.7 million as compared to that of approximately HK$34.5 million for the year ended 31 March 2019. Moreover, the gross profit margin of the Group for the year ended 31 March 2020 has improved mainly due to the fact that most of the loss projects have substantially been completed in the corresponding period of last year and the number of loss projects for the year ended 31 March 2020 has substantially been reduced.

The Group is facing various problems which include the global economic uncertainty, the slow approval process of Government projects of the Legislative Council of the Hong Kong Special Administration Region of the People's Republic of China (the "**HKSAR**"), the delay in examination of site works by the HKSAR Government, the delay in the supply of materials and site progress due to the outbreak of the novel coronavirus (COVID-19) (the "**COVID-19**"), which in turn will increase the cost in maintaining the sites and office expenses of the Group. Therefore, the profit margin of our project works is under pressure which might in turn affect the performance of the Group.

Nevertheless, according to the 2020/21 Annual Land Sales Programme, the HKSAR Government planned to sell 15 residential sites and 6 commercial sites which can be developed into about 7,530 residential units and 83,700 square metres of gross floor area respectively, suggesting that the demand for site formation and foundation works in the public and the private sectors remain important and in demand. In addition, there are many public construction plans in Hong Kong such as the Hong Kong International Airport three-runway system project and the 430,000 units of estimated supply of housing in the long term housing target for the ten-year period from 2020–21 to 2029–2030 suggested by the Transport and Housing Bureau in December 2019. In view of this, the Directors of the Group remain positive for the industry. The Group will closely monitor the market and respond to changes in market conditions. The Group will continue to improve its competitiveness in the market by continuing to provide quality works to the customers.

The outbreak of the COVID-19 has caused some disruption in the supply of materials from the People's Republic of China which resulted in (i) delay in site progress and (ii) increase in cost due to the need to maintain the requisite site workforce and other machinery and equipment pending delivery of the requisite materials, resulting in unavoidable resources idling and increased overhead. In light of the negative impact on the operation of the Group arising from the COVID-19, the Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of work-flow throughout the construction process, and strengthen the effectiveness of project management. The Group will also continue to actively devote its efforts to facilitate the prevention and control of further spreading of the COVID-19 pandemic in its premises and construction sites and to ensure the health and safety of its employees.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, suppliers, subcontractors, other business partners and our Shareholders for their continuous support. I would like to also thank the management team and my fellow staff members for their continuous trust and support.

Li Cheuk Kam
Chairman
Hong Kong, 29 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the consolidated annual results of the Group for the year ended 31 March 2020 together with the corresponding year ended 31 March 2019.

BUSINESS REVIEW AND OUTLOOK

The Company is an investment holding company. The principal activities of its subsidiaries include foundation and site formation works for both the public and the private sectors in Hong Kong. The foundation and site formation works provided by the Group can be broadly classified as (i) excavation and lateral support ("**ELS**") works and (ii) pile caps construction and site formation works for both public and private sector projects. To a lesser extent, the Group also leased some of its machineries.

Apart from acting as a subcontractor in foundation and site formation works, the Group has actively sought to enlarge its scope of work in the construction industry. The Group not only focus in acting as a subcontractor but also aim to act as a foundation main contractor in future. The Group's principal operating subsidiary, Lik Shing Engineering Company Limited, has registered under the Construction Industry Council as a registered subcontractor and has registered under the Buildings Department as a registered specialist contractor in foundation works category since May 2008 and December 2019 respectively.

During the year ended 31 March 2020, the Group faced a challenging market and economic environment. The outbreak of the novel coronavirus (COVID-19) (the "**COVID-19**") has caused disruptions in the supply of materials from the People's Republic of China which resulted in (i) delay in site progress and (ii) increase in cost due to the need to maintain the requisite site workforce and other machinery and equipment pending delivery of the requisite materials, resulting in unavoidable resources idling and increased overhead.

The Directors consider that the uncertainty in the economy of Hong Kong is apparent, and the growth in the overall income of the industry has slowed down. Looking forward, although certain challenging factors such as (i) an increase in market participants; (ii) the suppressed contract prices in the industry and (iii) the overall weakness of the economy, the Group is still confident to the construction industry in Hong Kong because of the continuous demand in housing arising from the public and the on-going Government housing policy in favour of the property development. The Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of work-flow throughout the construction process, and strengthen the effectiveness of project management.

FINANCIAL REVIEW

During the year ended 31 March 2020, the Group had been awarded 32 new contracts, with an aggregate original contract sum of approximately HK$401.7 million and had completed 15 projects with an aggregate original contract sum of approximately HK$196.6 million. As at 31 March 2020, the Group had 28 projects on hand which include projects in progress as well as projects that have been awarded to us but not yet commenced. As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK$305.6 million (2019: approximately HK$149.2 million). This amount represents the revenue from construction contracts that is expected to be recognised in the future.

Revenue

The revenue from the foundation and site formation works of the Group for the year ended 31 March 2020 amounted to approximately HK$313.9 million, representing a decrease of approximately HK$67.7 million, or 17.7% as compared to that of approximately HK$381.6 million for the year ended 31 March 2019. Such decrease was primarily due to the substantial completion of projects which include the NKIL 6566 Kai Tak Development, the Queen's Hill Extension project, the North West Kowloon Reclamation Site 6 and the Hong Kong-Zhuhai-Macao Bridge project, which contributed less revenue. The decrease in revenue from foundation and site formation works was also due to the serve competition in the foundation and site formation market as mentioned under the section of "Business Review and Outlook".

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue from machinery leasing for the year ended 31 March 2020 amounted to approximately HK$12.6 million, representing an increase of approximately HK$1.6 million, or 14.5% as compared to that of approximately HK$11.0 million for the year ended 31 March 2019. This amount represents the revenue derived from the leasing of the Group's machinery to contractors and/or subcontractors under operating leases. There was no significant variance on machinery leasing during the year.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The gross profit of the Group for the year ended 31 March 2020 amounted to approximately HK$7.3 million, as compared to a gross loss of approximately HK$12.4 million for the year ended 31 March 2019. The gross profit margin of the Group during the year ended 31 March 2020 was approximately 2.2%, as compared to the gross loss margin of approximately 3.2% for the year ended 31 March 2019.

The improvement in the gross profit margin was mainly due to the fact that most of the loss projects have substantially been completed in the corresponding period of last year and the number of loss projects for the year ended 31 March 2020 has substantially been reduced.

The Group prices its services based on various factors, among others, the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group. On the other hand, the Group prices its leasing machinery based on the procurement cost and the expected profit margin.

Other Income

The other income of the Group for the year ended 31 March 2020 amounted to approximately HK$0.7 million, representing a decrease of approximately HK$0.6 million or 46.2% as compared to that of approximately HK$1.3 million for the year ended 31 March 2019.

The other income mainly comprised of fair value gain on investment property and rental income from investment property. The decrease in other income was primarily due to the absence of fair value gain on investment property during the year ended 31 March 2020.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 March 2020 amounted to approximately HK$21.1 million, representing a decrease of approximately HK$0.1 million or 0.5% as compared to that of approximately HK$21.2 million for the year ended 31 March 2019. The administrative expenses mainly comprised of professional expenses, salaries costs, depreciation expenses and impairment loss on retention receivables.

Finance Costs

The finance costs of the Group for the year ended 31 March 2020 amounted to approximately HK$0.2 million, representing a decrease of approximately HK$0.1 million or 33.3% as compared to that of approximately HK$0.3 million for the year ended 31 March 2019. The decrease was primarily due to the decrease in borrowings during the year ended 31 March 2020 as compared to the corresponding period in 2019.

Income Tax

The income tax of the Group for the year ended 31 March 2020 amounted to approximately HK$0.4 million, representing a decrease of approximately HK$1.5 million or 78.9% as compared to that of approximately HK$1.9 million for the year ended 31 March 2019. The decrease was mainly due to the significant decrease in assessable profits of Hong Kong Profits Tax during the year ended 31 March 2020. The income tax expenses are mainly related to the movement of the deferred tax during the year.

Loss attributable to owners of the Company

The Group reported a net loss attributable to owners of approximately HK$13.7 million for the year ended 31 March 2020 as compared to that of approximately HK$34.5 million for the year ended 31 March 2019. The decrease in net loss attributable to owners of the Company was mainly attributable to the improvement of gross profit margin during the year.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

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

As at 31 March 2020, the Group had total assets of approximately HK$199.6 million (2019: approximately HK$224.1 million), of which current assets amounted to approximately HK$155.3 million (2019: approximately HK$182.5 million). As at 31 March 2020, the Group had total liabilities of approximately HK$40.4 million (2019: approximately HK$51.1 million), of which current liabilities amounted to approximately HK$36.7 million as at 31 March 2020 (2019: approximately HK$47.0 million). As at 31 March 2020, the Group had total equity attributable to owners of the Company amounted to approximately HK$159.3 million (2019: approximately HK$173.0 million).

As at 31 March 2020, the Group had total bank balances and cash of approximately HK$41.7 million (2019: approximately HK$51.3 million). The decrease in bank balances and cash was mainly due to the application of approximately HK$9.6 million by the Group in its operation and in investing and financing activities.

As at 31 March 2020, the Group had total debts of approximately HK$4.2 million which include lease liabilities, bank borrowings and obligations under finance leases (2019: approximately: HK$5.8 million) denominated in Hong Kong dollars. The gearing ratio of the Group, calculated by the total debts (defined as the sum of the lease liabilities, bank borrowings and obligations under finance leases) divided by the total equity is approximately 2.6% (2019: approximately 3.4%).

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 31 March 2020, the Group's right-of-use assets with an aggregate net book value of approximately HK$3.4 million (2019: plant and equipment approximately HK$5.3 million) were pledged under finance leases, while an investment property of approximately HK$7.3 million (31 March 2019: approximately HK$7.6 million) was pledged to secure banking facilities granted to the Group.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the year ended 31 March 2020.

RISKS AND UNCERTAINTIES

The Group's operation is subject to the general economic environment and market risks which may affect our business performance. The Group believe that there are certain risks involved in our business and operations which can be summarised as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Business risks

The Group's revenue is mainly derived from foundation and site formation works which are not recurring in nature and any decrease in the number of construction projects awarded would affect the Group's operational and financial results. In addition, the Group determines the price of tenders for construction projects based on the estimated time and costs involved in the construction project concerned, and the actual time and costs incurred may exceed our estimate due to unexpected circumstances, thereby adversely affect our operations and financial results.

The Group involved in certain construction litigation and disputes which may adversely affect the Group's financial performance and reputation. On the other hand, the Group's liquidity position may be affected by delays or defaults of progress payments of retention monies by customers which would adversely affect the Group's cash flows or financial results.

Industry and market risks

The construction industry is highly competitive. There are a significant number of industry players who provide similar services as ours. The Group is also facing changes in existing laws, regulations and the Government policies which include the introduction of more stringent laws and regulations on environment protection and labour safety which may cause the Group to incur substantial additional revenue expenditure.

All of the Group's revenue was derived in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on the construction industry in general, the Group's overall business and results of operations may be materially and adversely affected. The state of political environment in Hong Kong may adversely affect the Group's performance and financial condition.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

To maintain continuous growth of the business operation, the Group recognises that employees, customers and suppliers are the keys to its sustainable development. The Group maintains good relationship with its employees, customers and suppliers.

Employees

The Group recognises that employees as valuable assets for the delivery of quality services and works to its customers. Therefore, the Group provides comprehensive and competitive remuneration package, build a stable workforce and cultivate a harmonious workplace to attract, motivate and retain appropriate and suitable employees to serve the Group.

The Group has implemented a performance appraisal system with appropriate incentives to motivate and reward employees at all levels. In addition, the Group recognises the importance of enriching the knowledges and skills of our employees for sustainable business development. Thus, the Group provides appropriate on-the-job-training and development opportunities in order to attain the employees' best performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Customers

The Group endeavours to maintain a good and long-term business relationship with customers by delivering our quality services to satisfy their needs. Hence, the Group regularly engages with customers through a variety of communication channels, such as regular reviews and analysis on customer feedback to understand customers' needs and expectation. All feedback collected are valued by management and are reviewed and duly considered in the decision-making processes.

Suppliers and sub-contractors

The Group maintains stable working relationships with suppliers and sub-contractors in order to ensure that good quality of works and services will be provided to the Group. The Group's management conducts periodic performance reviews with suppliers and sub-contractors. When selecting major suppliers and sub-contractors, the Group will perform an analysis on the ability of the suppliers and sub-contractors such as the quality of products or services, delivery schedules, experience, track record, financial history and reputation.

CAPITAL EXPENDITURE

During the year ended 31 March 2020, the Group invested approximately HK$15.3 million on acquisition of machineries and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by finance leases and internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in this annual report, the Group had no material capital commitments or contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2020, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2020, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 September 2017 (the "**Prospectus**"), the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group employed a total of 166 employees (including Executive Directors, Non-executive Director and Independent Non-executive Directors), as compared to a total of 253 employees as at 31 March 2019. The significant decrease in the number of employees was mainly due to the substantial completion of projects which involved huge direct labour as at 31 March 2019. As at 31 March 2020, higher portion of works in progress are sub-contracted works which are less labour intensive. Total staff costs which include Directors' emoluments for the year ended 31 March 2020 was approximately HK$72.1 million (year ended 31 March 2019: approximately HK$77.9 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors of the Company are decided by the Board after recommendation from the Remuneration Committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Appendix V to the Prospectus.

During the year ended 31 March 2020, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds of the share offer received by the Company in relation to the listing of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 October 2017 (the "**Listing**") and full exercise of the over-allotment option on 7 November 2017 were approximately HK$103.9 million in aggregate, after deducting listing related expenses. The Board consider that these proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds" in the Prospectus. The table below sets out the proposed applications of the net proceeds and usage as at 31 March 2020:

	Planned use of net proceeds from the Listing HK$' million	Actual usage from the Listing as at 31 March 2020 HK$' million	Unutilised amount of net proceeds as at 31 March 2020 HK$' million
Acquire new machinery and equipment	40.6	40.6	–
Reserve more capital to satisfy the potential requirement for surety bond	31.3	25.7	5.6
Strengthen the manpower	23.1	23.1	–
General working capital	8.9	8.9	–
	103.9	98.3	5.6

The planned use of proceeds as stated in the Prospectus was based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and industry.

The unutilised amounts of the net proceeds from the Listing will be applied in the manner consistent with that mentioned in the Prospectus. The unutilised amount had been deposited with licensed banks in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend to Shareholders of the Company for the year ended 31 March 2020.

FUTURE PROSPECTS

The global economic downturn due to the outbreak of the COVID-19, the increase in trade tensions with the United States, and the social unrest in Hong Kong had affected business confidence. The foundation and site formation market in Hong Kong continues to be highly competitive due to the presence of a large number of competitors and the availability of relatively fewer contracts in the civil public sector. In response to this situation, the Group had to lower the tender prices to maintain its market position and to diversify the client base to secure sufficient project winning. The Group will continue to focus on improving cost control measures on projects, strengthening project managements teams and increasing our production efficiency. Nevertheless, the Hong Kong Government remain focus on Hong Kong's land supply for private and residential housing and commercial buildings. Therefore, the Group is confident that the construction industry in Hong Kong will remain positive in the future.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LI Cheuk Kam (李灼金) ("**Mr. Li**"), aged 53, was appointed as a Director of the Company on 13 March 2017 and redesignated as an Executive Director and appointed as the Chairman of the Board of Directors and the Chief Executive Officer of the Company on 25 May 2017. He is one of the controlling shareholders, the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Li is the founder of the Group. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Li has over 35 years of experience in the construction industry in Hong Kong. He is primarily responsible for the overall business development strategy and for overseeing day-to-day management of site operations of the Group. Mr. Li is the brother of Mr. Li Wai Fong, the Executive Director. For Mr. Li's interest in the Shares within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), please refer to the section headed "Directors' Report" in this annual report.

Mr. LI Wai Fong (李偉芳) ("**Mr. Li WF**"), aged 45, was appointed as an Executive Director of the Company on 25 May 2017. He joined the Group as the Administration Manager in May 2014 and is primarily responsible for overseeing the administration matters of the Group.

Mr. Li Wai Fong obtained a Bachelor of Engineering Degree majoring in Automation in June 1999. Mr. Li WF has nearly 20 years of experience in management and sales and marketing. Mr. Li WF is the brother of Mr. Li, the Chairman of the Board, Chief Executive Officer of the Company and an Executive Director.

NON-EXECUTIVE DIRECTOR

Mr. POON Wai Kong (潘偉剛) ("**Mr. Poon**") was appointed as a Non-executive Director of the Company on 12 October 2018. Mr. Poon, aged 48, has over 28 years of experience in the accounting and financial industry. He obtained a Bachelor's Degree in Economics from the University of London, United Kingdom in August 1995 and a Master's Degree in Practising Accounting from the Monash University, Australia in September 1998. He also received a Master's Degree in Business Administration and a Master's Degree in Professional Accounting and Corporate Governance from the City University of Hong Kong in November 2000 and July 2009 respectively. He has been admitted as a member of the Hong Kong Institute of Chartered Secretaries since December 2009, a fellow of the Hong Kong Institute of Certified Public Accountants since May 2018 and a fellow of the Certified Practicing Accountant (Australia) since May 2018.

He has been appointed as an independent non-executive director of Evergreen International Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (stock code: 238), since 7 May 2020. From September 2005 to March 2020, Mr. Poon held various positions at Long Well International Holdings Limited ("**Long Well**"), a company listed on the Stock Exchange (stock code: 850), including the positions of executive director, chief financial officer and company secretary from March 2006 (when Long Well was known as Wing Shing International Holdings Limited) to January 2019 (when Long Well was known as Tou Rong Chang Fu Group Limited), and non-executive director from January 2019 to March 2020. From June 2015 to June 2018, he was an independent non-executive director of TC Orient Lighting Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 515).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chik Kong (黃植剛) ("**Mr. Wong**"), aged 47, was appointed as an Independent Non-executive Director of the Company on 21 September 2017. He is the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company.

Mr. Wong obtained a Higher Diploma in Architectural Studies from the City University of Hong Kong in November 1995. Mr. Wong has over 25 years of experience in the construction industry where he was primarily responsible for project management, cost control, supervision and co-ordination with consultants and sub-contractor for demolition, slope remedial, foundation and building projects.

Mr. CHAN Chung Kik, Lewis (陳仲戟) ("**Mr. Chan**"), aged 47, was appointed as an Independent Non-executive Director of the Company on 21 September 2017. He is the Chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company.

Mr. Chan obtained a Bachelor's Degree of Commerce in Accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of Certified Practicing Accountant (Australia). Mr. Chan has extensive experience in auditing, accounting and corporate finance.

Mr. Chan served as an independent non-executive director of (i) Kwan On Holdings Limited, a company which was previously listed on GEM of the Stock Exchange (Stock Code: 8305) in March 2015 and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 1559) in August 2016, from March 2015 to September 2016; and (ii) Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 719) and the Shenzhen Stock Exchange (Stock Code: 000756), from May 2014 to June 2018.

Mr. Chan is currently acting as an independent non-executive director of (i) HongGuang Lighting Holdings Company Limited, a company which was previously listed on GEM of the Stock Exchange (Stock Code: 8343) in December 2016 and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 6908) in November 2019 since December 2016; (ii) Founder Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 418) since March 2017; (iii) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 618) since March 2017; and (iv) Eternity Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1725) since July 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LEE Kwok Lun (李國麟) ("**Mr. Lee**"), aged 36, was appointed as an Independent Non-executive Director of the Company on 21 September 2017. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Lee graduated from the University of Hertfordshire with a Bachelor of Arts Degree in Accounting in September 2006. He has been admitted a member of the Association of Chartered Certified Accountants in January 2013. Mr. Lee has been a member of the Hong Kong Institute of Certified Public Accountants since September 2013. In May 2015, Mr. Lee was admitted as practicing member of the Hong Kong Institute of Certified Public Accountants. In 2018, Mr. Lee has been admitted as a associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Securities and Administrators.

Mr. Lee has more than 10 years of experience in auditing and accounting. From September 2006 to February 2008, Mr. Lee held various positions in Y.K. Tsang & Co., an accounting firm, where he last served as an audit intermediate. Mr. Lee subsequently joined Chan and Chan Certified Public Accountants in March 2008 as an intermediate audit clerk. Prior to his departure in August 2009, he worked in the capacity of a semi-senior. From September 2009 to January 2014, Mr. Lee held various position in SHINEWING (HK) CPA Limited, where he last served as an assistant manager. From January 2014 to October 2014 he was employed by BDO Limited as a manager in the Assurance Department. From November 2014 to April 2015, Mr. Lee was employed by KPMG as a manager. After leaving KPMG, Mr. Lee co-founded Prism CPA Limited in December 2015 and served as its director since then.

Mr. Lee is currently acting as the company secretary and the chief financial officer of Summi (Group) Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 756), the company secretary of Solis Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2227), the independent non-executive director of Dragon Rise Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 6829) and Ever Reach Group (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Sock Code: 3616).

SENIOR MANAGEMENT

Mr. LIAUW Hung (廖鴻) ("**Mr. Liauw**"), aged 41, was appointed as an Executive Director of the Company on 25 May 2017 and retired at the 2019 annual general meeting which was held on 15 August 2019 but continues to serve as the general manager of Lik Shing Engineering Company Limited, a subsidiary of the Company. Mr. Liauw has over 17 years of experience in the construction industry. He is primarily responsible for overseeing the project operations and technical aspects of various projects of the Group. Mr. Liauw obtained a Bachelor of Civil Engineering Degree from the University of Hong Kong in November 2001. He has been elected as a member and as a chartered professional engineer of the Engineers Australia by the Civil College in May 2005. He has also been admitted as a member of the Institution of Civil Engineers in the United Kingdom since October 2005 and registered by the Engineering Council UK as a chartered engineer since January 2006. Mr. Liauw has been admitted as a member of the Hong Kong Institution of Engineers in November 2010.

He is currently registered as a registered professional engineer in Hong Kong. Mr. Liauw first joined the Group in June 2014 as a senior project manager till February 2016. He rejoined the Group as a general manager in December 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LIU Dahong (劉大洪) ("**Mr. Liu**"), aged 56, is a quantity survey manager of the Group. He joined the Group as a quantity surveyor in May 2014 and was promoted to the current position in March 2016. He is primarily responsible for providing quantity surveying services to the Group.

Mr. Liu has obtained a Bachelor Degree in Engineering Survey from the Nanjing Construction Engineering Institute (currently known as Nanjing Tech University) in July 1984.

Mr. Liu has over 25 years of experience in the construction industry. He joined China Southwest Geotechnical Investigation & Design Institute Co., Ltd as an assistant survey engineer in July 1984 and left the company as a survey engineer in April 1991. Thereafter, Mr. Liu joined China State Construction Engineering (Hong Kong) Limited in April 1991 as the chief surveyor and left as a deputy site manager in October 2007.

Ms. LI Mei Wai (李美慧) ("**Ms. Li**"), aged 33, is the financial controller and the Company Secretary of the Company. She joined the Group in January 2017, primarily responsible for financial planning, internal control, financial reporting and corporate secretarial practices of the Group.

Ms. Li obtained a Bachelor of Commerce (Honours) Degree in Accountancy from the Hong Kong Baptist University in November 2010. She has been a member of the Hong Kong Institute of Certified Public Accountants since March 2014. In March 2016, Ms. Li was admitted as practising member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Ms. Li served a number of auditing positions in SHINEWING (HK) CPA Limited and PricewaterhouseCoopers Ltd from October 2010 to July 2015. From July 2015 to December 2016, Ms. Li was an assistant accounting manager at Melco International Development Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 200).

CORPORATE GOVERNANCE REPORT

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group. The Group believed that effective corporate governance practices are fundamental to safeguarding and enhancing the interest of the Shareholders and stakeholders of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") as its own corporate governance code. The Company has complied with the CG Code during the period from 1 April 2019 to 31 March 2020 (the "**Reporting Period**") with the exception of code provision A.2.1 as explained below.

According to code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the "**Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**") should be separate and performed by different individuals. Mr. Li Cheuk Kam is both the Chairman and the Chief Executive Officer. In view of the in-depth knowledge and substantial experience of Mr. Li Cheuk Kam in the operations of the Group and his solid experience in foundation and site formation works, the Board believes it is in the best interests of the Company for Mr. Li Cheuk Kam to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors of the Company.

Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for directing and supervising the Group's business and affairs. The Directors, individually and collectively, must act in good faith in the best interest of the Company and Shareholders and fulfill their fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements. The Board has delegated its powers to the management for the Group's day-today management and operations.

Composition

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules during the Reporting Period. The Board comprises six Directors who include two Executive Directors, namely Mr. Li Cheuk Kam (Chairman of the Board), Mr. Li Wai Fong and one Non-executive Director, namely Mr. Poon Wai Kong and three Independent Non-executive Directors, namely Mr. Wong Chik Kong, Mr. Chan Chung Kik, Lewis and Mr. Lee Kwok Lun.

Executive Directors

Mr. LI Cheuk Kam *(Chairman)*
Mr. LI Wai Fong
Mr. LIAUW Hung (from 25 May 2017 to 15 August 2019)

Non-executive Director

Mr. POON Wai Kong

Independent Non-executive Directors

Mr. WONG Chik Kong
Mr. CHAN Chung Kik, Lewis
Mr. LEE Kwok Lun

Biographical details for each Directors and their relationship among board members are set out in the section headed "Biographical details of Directors and Senior Management" of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has signed a letter of appointment with each of the Independent Non-executive Directors for a term of three years (subject to retirement by rotation and re-election in accordance with the Articles of Association (the "**Articles**"), which may be terminated earlier by no less than one month's written notice served by either party on the other. The commencement date of each of the letter of appointment is 21 September 2017.

Each Independent Non-executive Director is required to inform the Group as soon as practicable if there is any change that may affect his independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the Independent Non-executive Directors have met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the independence guidelines. The Company has also complied with Rule 3.10(2) of the Listing Rules as one of the Independent Non-executive Directors possesses the appropriate professional accounting qualifications and financial management expertise.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

During the Reporting Period, five Board meetings and a general meeting were held. Details of the attendance record of each Directors is set out below:

Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors		
Mr. LI Cheuk Kam	5/5	1/1
Mr. LI Wai Fong	5/5	1/1
Mr. LIAUW Hung (retired on15 August 2019)	3/3	1/1
Non-executive Director		
Mr. Poon Wai Kong	4/5	1/1
Independent Non-executive Directors		
Mr. WONG Chik Kong	5/5	1/1
Mr. CHAN Chung Kik, Lewis	5/5	1/1
Mr. LEE Kwok Lun	5/5	1/1

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

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which aims to achieve diversity on the Board, and a sustainable and balanced development of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Board should have a balance of skills, experience and knowledge in the industry and diversity of perspectives appropriate to the Company's business.

In the process of selection of board members, the Company seeks to achieve board diversity through the consideration of a range of diversity perspectives which include but not limited to gender, age, cultural and education background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective selection criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee has reviewed and will review and monitor the implementation of the Board Diversity Policy, to ensure the effectiveness of the Board Diversity Policy and will discuss any revisions that may be required and will recommend any such revisions to the Board for consideration and approval and will report to the Board annually.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend relevant programmes to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. Prior to their appointments, all Directors will be given relevant guideline materials together with the necessary induction and training to enable them to have a proper understanding of their duties and responsibilities under the Listing Rules and the applicable laws, rules and regulations. Briefings and professional development will be arranged for Directors whenever necessary. All Directors confirmed that they had participated in continuous professional development to develop and refresh their knowledge and skills and had complied with the CG Code provisions during the Reporting Period.

According to the Directors' training records provided to the Company for the year ended 31 March 2020, training undertaken by all Directors during the year is summarised below:

Name	Type(s) of training (Note(s))
Current Directors	
Mr. LI Cheuk Kam	(a),(b)
Mr. LI Wai Fong	(a),(b)
Mr. POON Wai Kong	(a),(b)
Mr. WONG Chik Kong	(a),(b)
Mr. CHAN Chung Kik, Lewis	(a),(b)
Mr. LEE Kwok Lun	(a),(b)
Former Director	
Mr. LIAUW Hung	(b)

Notes:

(a) Participated in seminars/forums/conferences

(b) Read seminar materials/journals/articles/business or industry updates

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has set up three Board Committees, namely the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**"). The table below provides the membership information of these Committees on which each Board member serves as at the date of this annual report:

	Board Committees		
Directors	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Mr. LI Cheuk Kam	–	C	M
Mr. LI Wai Fong	–	–	–
Mr. POON Wai Kong	–	–	–
Mr. WONG Chik Kong	M	M	C
Mr. CHAN Chung Kik, Lewis	C	M	M
Mr. LEE Kwok Lun	M	M	M

Notes:

C — Chairman of the relevant Committee
M — Member of the relevant Committee

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code, the Audit Committee consists of three members who are all Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Chan Chung Kik, Lewis is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information of the Group, to oversee the Group's financial reporting system and the internal control and risk management procedures, to monitor the independence and objectivity of the external auditor and to provide advice and comments to the Board on corporate governance practices. The Terms of Reference of the Audit Committee which were adopted by the Board on 21 September 2017 have been revised by the Board on 31 December 2018. The revised Terms of Reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee has reviewed the condensed consolidated interim report for the six-month period ended 30 September 2019 and the audited consolidated financial statement of the Group for the year ended 31 March 2020. The Audit Committee is satisfied that these financial statements have been prepared in accordance with applicable accounting standards and requirements.

The Audit Committee held two meetings during the Reporting Period and has reviewed, and recommended to the Board for approval of the Company's audited financial statements for the year ended 31 March 2019 and the interim financial statements for the six-month period ended 30 September 2019. The individual attendance record of each member at the meeting of the Audit Committee is set out below:

Directors	Attendance/ Number of Meetings
Mr. CHAN Chung Kik, Lewis	2/2
Mr. WONG Chik Kong	2/2
Mr. LEE Kwok Lun	2/2

Subsequent to the year ended 31 March 2020, the Audit Committee held one meeting and have reviewed and recommended to the Board for approval of the Company's audited financial statements for the year ended 31 March 2020.

NOMINATION COMMITTEE

Pursuant to paragraph A.5.2 of the CG Code, the Nomination Committee consists of one Executive Director, namely Mr. Li Cheuk Kam and three Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Li Cheuk Kam is the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee include reviewing the independence of the Independent Non-executive Directors, considering the qualifications of the retiring Directors standing for election at the annual general meetings, and reviewing the structure, size and composition of the Board. The Terms of Reference of the Nomination Committee which were adopted by the Board on 21 September 2017 have been revised by the Board on 31 December 2018. The revised Terms of Reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

Board Nomination Policy

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

If the Board recognised the need for an additional Director, the Nomination Committee will carry out the selection process by making reference to the Board Diversity Guideline, the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an INED, the Company's needs and other relevant statutory requirements and regulations.

During the Reporting Period, the Nomination Committee held one meeting including the meetings to review the structure, size and diversity of the Board, assess the independence of the Independent Non-executive Directors and recommend to the Board for consideration the re-election of all the retiring Directors at the 2019 annual general meeting. The individual attendance record of each member at the meeting of the Nomination Committee is set out below:

Directors	Attendance/ Number of Meetings
Mr. LI Cheuk Kam	1/1
Mr. WONG Chik Kong	1/1
Mr. CHAN Chung Kik, Lewis	1/1
Mr. LEE Kwok Lun	1/1

REMUNERATION COMMITTEE

Pursuant to paragraph B.1 of the CG Code, the Remuneration Committee consists of one Executive Director, namely Mr. Li Cheuk Kam and three Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Wong Chik Kong is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations on the remuneration of the Company's senior management and members of the Board, such as formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all Executive Directors, Non-executive Directors and senior management and making recommendations to the Board of the remuneration of Independent Non-executive Directors. The Terms of Reference of the Remuneration Committee which were adopted by the Board on 21 September 2017 are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held one meeting during the Reporting Period to discuss the remuneration policy for current Directors and recommended to the Board for consideration the remuneration policy for current Directors at the 2019 annual general meeting. The individual attendance record of each member at the meeting of the Remuneration Committee is set out below:

Directors	Attendance/ Number of Meetings
Mr. WONG Chik Kong	1/1
Mr. LI Cheuk Kam	1/1
Mr. CHAN Chung Kik, Lewis	1/1
Mr. LEE Kwok Lun	1/1

COMPANY SECRETARY

Ms. Li Mei Wai was being as the Company Secretary during the Reporting Period. She was admitted as a practicing member of the Hong Kong Institute of Certified Public Accountants in March 2016. She is also the Company's financial controller. During the Reporting Period, she has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility in preparing the consolidated financial statements of the Group for the year ended 31 March 2020. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The statement of the independent auditor of the Company about their reporting responsibilities to the financial statements are set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEM

The Board has overall responsibilities for maintaining an adequate risk management and internal control system to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The department heads of the Group have identified, evaluated significant risks and confirmed to the management of the Group that appropriate internal control policies and procedures have been established and properly complied with during the Reporting Period. All the findings and material issues have been summarised to the Board and the Audit Committee for review annually. The Audit Committee will report to the Board on any material issues and makes recommendations to the Board.

The Group has established guidelines and procedures for the approval and control of expenditures, for safeguarding assets against unauthorised use or disposition, for ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and for ensuring compliance with applicable law, rules and regulations. These policies and procedures provide a reasonable assurance that material misstatements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Reporting Period, the Company has engaged an external independent consulting firm to perform the internal audit function and to review the effectiveness and efficiency of the Group's risk management and internal controls systems. The recommendations put forwarded by the consultant have already been implemented in stages by the Group to further enhance its internal control and risk management policies, procedures and practices. The Board considered that the Group's risk management and internal control systems are effective during the Reporting Period.

The Group has conducted a review to assess whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, the Board, supported by the Audit Committee, concluded that a separate internal audit department is not required for the time being.

AUDITOR'S REMUNERATION

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

Directors	Service Fee HK$'000
Audit services	850
Non-audit services:	
— Review for interim report	200
— Others*	27
Total	1,077

* Including services provided by SHINEWING (HK) CPA Limited's affiliated firms.

DIRECTORS AND OFFICERS INSURANCE

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

INSIDE INFORMATION POLICY

The Group have complied with the requirements of the Securities and Futures Ordinance ("**SFO**") and the Listing Rules regarding inside information during the Reporting Period. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the "safe harbours" as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements, circulars and reports of the Company is not false or misleading as to a material fact, or false or misleading due to the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene General Meeting

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary by mail at Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposal at Shareholder's Meeting

Shareholders are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for Shareholders to Convene General Meeting".

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures by which Enquiries may be out to the Board

Shareholders are welcomed to send their enquiries to the Board, such enquiries can be addressed to the Company Secretary in writing by post to the Company's principal place of business in Hong Kong at Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong or by email at info@wingchiholdings.com.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report highlights the initiatives and exertions of the Group in fulfilling their commitment to sustainable development and corporate social responsibility in the course of their business. For the Reporting Period, the Group and its subsidiaries were engaged in foundation and site formation works. The foundation and site formation works provided by the Group represent the projects undertaken by it, the nature of which is generally classified as excavation and lateral support works, pile caps construction and site formation works for both public and private projects. To a lesser extent, the Group also leases some of its machineries to construction companies.

During the Reporting Period, the Board believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trend in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating Environmental, Social and Governance Report (the "**ESG**") aspects and internal control systems into its risk management system and has taken corresponding measures in its daily operations and governance perspective.

REPORTING SCOPE AND STANDARDS

This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" ("**ESG Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board set by The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the Group has complied with all the "comply or explain" provisions set out in the ESG Guide for the Reporting Period. The information in this Environmental, Social and Governance Report (the "**ESG Report**") is based on the Group's official documents and statistical data, as well as an integration and summary of monitoring, management and operational information provided by subsidiaries of the Group. To better navigate relevant ESG topics, a detailed ESG content index is available at the end of this report. The corporate governance practices of the Group are set out in the Corporate Governance Report from pages 15 to 24 of the annual report.

ENGAGEMENT WITH STAKEHOLDERS

We acknowledge the importance of sustainability as one of the key driving forces to the growth of the Group and creation of value to our stakeholders. The Group values input and feedbacks of its stakeholders and strives to address their concerns. We have established various communication channels in below table to maintain liaison with them. The Group can hence collect feedback and opinion from our stakeholders and respond to their needs, by which we can maintain a close and harmonious relationship with them to attain a long-term success. The table below lists the Group's stakeholders and illustrates our communication and response measures.

Stakeholder Groups	Specific Stakeholder(s)	Communication Channel
Investors	• Shareholders • Potential investors	➢ Corporate website ➢ Annual and interim financial reports ➢ Announcements and disclosures of stock listing information ➢ Annual general meetings and extraordinary general meetings
Employees	• Senior management • Staff • Direct workers • Potential recruits	➢ Direct communication ➢ Independent focus groups and interviews ➢ Training and seminars ➢ Regular performance assessments ➢ Corporate Social Responsibility ("**CSR**") activities
Customers	• Government departments and statutory bodies • Property developers • Landowners • Ultimate users	➢ Periodical meetings with contractors and customers ➢ Customer assessments ➢ Designated customer hotline
Suppliers/Contractors	• Suppliers • Sub-contractors • Service providers	➢ Supplier assessments ➢ Daily work reviews ➢ Site inspection and meetings with sub-contractors
Community	• National and local community organisations	➢ Charitable donations ➢ CSR activities
Government	• National and local governments • Regulators	➢ Written correspondence ➢ Statutory reports and general disclosures

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in the preparation of this report to assist the Group in reviewing its operation, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. In reference to the identified material environmental, social and governance issues, a data collection questionnaire was compiled to collect the information from relevant departments and business units of the Group.

PROTECTING THE ENVIRONMENT

Given the nature of our business, our operations inevitably cause air and noise pollution, safety issues and inconvenience to participants and neighbouring communities. We acknowledge our responsibilities towards the potential environmental impacts associated with our business operations and integrate environmental consideration into our decision-making processes such as project tendering, daily operation in our office and construction sites.

To demonstrate our commitment environmental management, we have established an environmental management system and developed the environment management manual in accordance with ISO 14001:2015. To meet the ISO 14001:2015 requirements, the Group has developed environmental management policies and procedures to improve its ability to efficiently identify, minimise, prevent and manage environmental impact as they arise, therefore reducing the associated risks. We also communicate our environmental policies to all our employees, sub-contractors and suppliers, to ensure that they are competent to follow compliance and encourage them to apply good environmental practices and improve performance.

EMISSIONS

While encouraging business development, the Group also attaches great importance to the sustainable development of the operating districts. We continue to put forth dedicated efforts toward aligning our commitments with regional government's environmental targets and programmes on emissions, energy, water, material use and waste management.

Emissions from our daily business activities mainly represent air pollutants emissions, greenhouse gas ("**GHG**") emissions, noise, discharge into water and land, and disposal of inert and non-inert construction waste while carrying out projects. Various practices have been adopted into our daily operations to minimise air pollutant emissions at sources. For instance, we only operate non-road mobile machinery with approval labels or exemption labels in accordance with the Air Pollution Control Ordinance (Cap. 311). For non-road mobile machineries purchased during the Reporting Period, we only purchased those with approval labels by the Environmental Protection Department. We utilise ultra-low-sulphur diesel in our non-road mobile machinery and on-road vehicles where applicable to reduce sulphur oxide emissions. Other day-to-day operational practices are also properly implemented throughout our construction process. Exposed construction areas are frequently watered or covered with tarpaulin or fabric sheets or enclosed with dust shields where the dust-generating activities take place.

During the Reporting Period, the Group's main sources of GHG emissions included the direct emissions from combustion of gaseous fuel from vehicles and fuel-operated plant, energy indirect emissions from purchased electricity and disposal of paper at landfills. During the Reporting Period, the number of construction projects the Group engaged increased. Therefore, the key performance indicators ("**KPIs**") relating to emissions data from gaseous fuel consumption have been increased.

The largest source of the Group's GHG emissions was related to "Scope 1" — direct emissions or removals from sources, attributed to the combustion of fuels in mobile sources, for example, motor vehicles, machines and equipment during operations — of the environmental KPIs. The emissions amount of GHG emissions related to "Scope 2" — electricity purchased from power companies — and "Scope 3" — paper waste disposed at landfills — were insignificant.

For the Reporting Period, GHG emissions generated by the Group were as follows:

	Unit	2019/20	2018/19
Emissions data from Gaseous Fuel Consumption			
Nitrogen Oxide (NO_x)	kg	**1,087.08**	912.37
Sulphur Oxide (SO_x)	kg	**1.66**	1.00
Particulate Matter (PM)	kg	**80.76**	68.62

For the Reporting Period, GHG emissions generated by the Group were as follows:

		Unit	2019/20	2018/19
Direct emission or removals from sources (Scope 1)				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO_2)	tonne	**269.34**	161.62
	Methane (CH_4)	kg	**291.75**	171.45
	Nitrous oxide (N_2O)	tonne	**5.26**	4.92
Energy indirect emissions (Scope 2)				
Electricity purchased from power companies	Carbon Dioxide (CO_2)	tonne	**9.56**	7.96
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	Carbon Dioxide (CO_2)	tonne	**1.80**	2.03

During the Reporting Period, in response to an increase in the number of projects engaged, the Group has acquired additional vehicles which as a result drive up the GHG emissions of the Group.

WASTE MANAGEMENT

As we engaged in the construction project and leasing machineries, it is anticipated that significant amounts of construction and demolition materials ("**C&D materials**") will be generated from our operating activities (i.e. site formation works, foundation works, and building construction and superstructure works). C&D materials consist of inert and non-inert waste, which are to be disposed of at public fills and landfills respectively. General refuse including office waste, paper waste, food waste and packaging waste are collected and temporarily stored on site before disposed of at landfills.

Recycling boxes have also been provided at the Group's head office to encourage employees to sort and recycle wastes to achieve the objectives in waste mitigating, reusing, and recycling in daily operations. Moreover, staff of the Group are encouraged to keep and maintain records in electronic form instead of printed copies. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development, and provides relevant support in order to enhance their skills and knowledge in sustainable development. Where applicable, environmentally friendly construction practices such as using precast concrete units rather than placing concrete, using structural steel rather than reinforced concrete for building frameworks, and reusing the surplus excavated material from the site, are implemented during our operations.

During the Reporting Period, wastes generated at our project sites were handled by the main contractors of construction projects the Group engaged. No hazardous waste was generated from our operations given the nature of our business. Therefore, relevant KPIs were not applicable to the Group.

USE OF RESOURCES

Major resources the Group consumes include fuel, electricity, and water. Both head office and project site operations require the consumption of electricity and fuel. Fuel would be used for equipment, ground transportation during delivery, while electricity consumption mainly comes from office use.

The Group endeavours to reduce its resource consumption by optimising its working environment, which emphasises green operations and green initiatives in the workplace. To this end, a variety of energy conservation and pollution reduction measures have been implemented at our offices and construction sites as follows:

Office

- Setting and maintaining regular room temperatures at 24°C–26°C;
- Printing on both sides of paper and email communication are preferred;
- Switching office equipment (e.g. printers, computers and monitors) to sleep mode when they are idle;
- Giving priority in purchasing electrical appliances to those with Grade 1 energy efficiency labelling; and
- Dividing lighting systems into small zones, enabling a more flexible approach towards energy saving.

Site

- Switching off non-essential lightings as well as idle machinery and equipment;
- Ordering materials in work site accurately to avoid wastage;
- Enhancing the maintenance and overhauling procedures to maintain all equipment in optimal condition for effective use of energy; and
- Using various communication channels (posters, signs and memos) for promoting energy conservation to raise construction workers' awareness.

On top of energy conservation, reducing our water footprint is also one of our focus areas given water availability is crucial to human survival. Recollection, reuse and recycling of greywater on construction sites were recommended by the Group to reduce freshwater consumption. As an example, muddy water generated from piling works and washing of construction vehicles was treated through sedimentation and flocculation in the wastewater treatment system to allow reuse whenever it is feasible.

For the Reporting Period, resources consumption by the Group was as follows:

	Unit	2019/20	2018/19
Electricity Consumption	kWh	**15,172.23**	12,634.06
	kWh/employee	**83.82**	49.94

During the Reporting Period, the Group's operations did not involve the use of packaging materials. The increase in the Group's electricity consumption is due to its office relocation in July 2019, size of new office larger than old office in double.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT AND NATURAL RESOURCES

In compliance with applicable environmental legislation, the Group expects no significant impact on the environment or natural resources as a result of its business operations. Nonetheless, we still place great importance on the potential threats of the business operations that might pose to the natural environment. We raise the environmental awareness amongst our employees through enhancing resources utilisation and executing environmentally friendly guidance in our daily operations.

For the sake of compliance with relevant laws and regulations, we regularly assess the environmental risks of our operations and adopt preventive measures as necessary. For instance, office paper used for in-house printing was produced under the Programme for the Endorsement of Forest Certification ("**PEFC**"). The Group also encourage its staff to maintain records in electronic format. PEFC is a leading global alliance of national forest certification systems, dedicated to promoting sustainable forest management. PEFC Chain of Custody certification tracks wood from sustainable sources through the supply chain to the final product. It demonstrates that each step of the supply chain is closely monitored through independent auditing to ensure that unsustainable sources are excluded. To further minimise the usage of paper, the Group changed the thickness of printing paper from 80 grams per square meter ("**gsm**") to 70 gsm in the latter half of 2019.

The Group believes that the objectives of energy conservation, wastes reduction and green office promotion can be achieved with the implementation of the measures mentioned above. The Group will continue to look for opportunities to reduce further emissions and wastes to minimise the impact on the environment and natural resources caused by its operations.

The Group completely understands that ESG policies and practices should change over time to reflect the changes in business operations, structures, technology, laws and regulations, and environment. Hence, we regularly keep track of the latest relevant environmental laws and regulations and will commit to measures that strengthen environmental protection. During the Reporting Period, the Group has complied with all relevant environmental laws and regulations in Hong Kong, including but not limited to the Air Pollution Control Ordinance (Cap. 311), Waste Disposal Ordinance (Cap. 354), Water Pollution Control Ordinance (Cap. 358), Noise Control Ordinance (Cap. 400), Dumping at Sea Ordinance (Cap. 466), Environmental Impact Assessment Ordinance (Cap. 499) and other regulations promulgated by the government and currently applicable to the Group, as well as environmental requirements of customers.

For the Reporting Period, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and land, and generation of hazardous and non-hazardous waste.

EMPLOYMENT AND LABOUR PRACTICES

Adhering to a people-oriented approach, we respect and protect the rights and interests of our employees and standardise employment management in order to build a harmonious working relationship. We ensure employment and labour practices are had complied with anti-discrimination ordinances and the guidance under the Employment Ordinance (Cap. 57), the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the Minimum Wage Ordinance (Cap. 608), Laws of Hong Kong, as well as industry features and practices. The Group sincerely safeguards the legitimate interests of labour in compliance with relevant laws and regulations, respects the rights of employees to rest and leave, and regulates their working hours and their rights to various types of rest times and holidays.

The Group complies strictly with local laws and regulations and emphasises on equal opportunities for all personnel in respect of recruitment, promotion, dismissal, remuneration, benefits, and training and development. We are also committed to provide a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation to attract professionals with diverse backgrounds to join the Group.

The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. With an aim to reward and motivate the contribution and performance of employees and assist them in their career development and promotion within the Group, a performance appraisal system to annually review staff performance and remuneration has been established. With reference to the prevailing market standard, promotion opportunities and salary adjustments are benchmarked against individual performance. The Group's remuneration policies and packages are reviewed by the management on a regular basis. It grants discretionary bonuses to qualified employees based on operational results and individual performance.

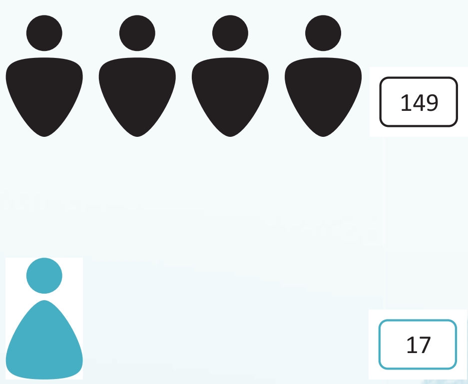
During the Reporting Period, Lik Shing Engineering Company Limited ("**Lik Shing Engineering**"), one of the Group's subsidiaries, was awarded a Quality Public Housing Construction & Maintenance Award from the Hong Kong Housing Authority ("**HKHA**") as an acknowledgement of the Group's outstanding performance in respect of the implementation of a "wage monitoring system" in construction projects of the HKHA. With the concerted effort and continuous enhancement of the system, the performance indicators, comprising on-time submission of smart card record, employment contract and wage payment record, and wage payment by bank auto-pay, in the HKHA New Works contracts and Maintenance and Improvement contracts, showed continuous improvement during the year.

Staff Composition

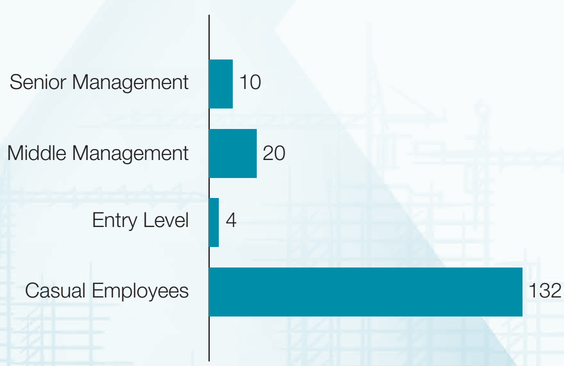
The Group is principally engaged in the provision of construction services which demands physical strength of our workers. Hence, traditionally male employees are a majority in our workforce. It does not mean, however, that the Group is biased towards recruiting male employees. We always offer equal opportunities to job applicants with other gender identities.

As of 31 March 2020, we employed a total of 166 staff, including back office and site staff. All our staff members are located in Hong Kong.

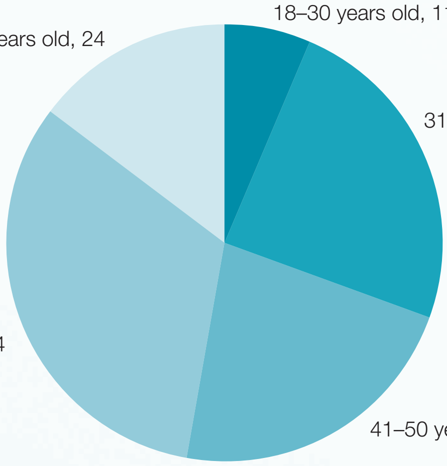
Employees by Gender



Employees by Employment Category



Employees by Age Group



For the Reporting Period, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

HEALTH AND SAFETY

As the Group is primarily involved in construction business, paramount importance is given to safety and health of our employees. The Group proactively works to deliver safety initiatives in minimising potential health and safety risks at work site and the impact of industrial accidents by establishing occupational health and safety management systems accredited with ISO 45001: 2018 as well as organising safety training for its workforce.

Inappropriate operation of machineries can result in injuries to workers and damage to property. Hence, we are determined to ensure that all construction works are carried out according to high health and safety standards in practical terms. Warning signs are posted in prominent positions regarding potential health impact of construction activities, appropriate handling procedures, and preventive measures with a goal to protect employees from occupational hazards and injuries. Personal protective equipment such as safety helmets, safety goggles, safety shoes and high visibility clothing are provided and are required for all personnel who work at project sites. At the workplace, sufficient first-aid kits are in place and periodic checking and maintenance of machineries and equipment are conducted to safeguard employees' health and safety.

Our safety and health policies are actively participated by all levels of management and supervision staff to explore and implement various approaches to establish a safe working environment. The Group provides relevant occupational health and safety training to our staff and workers such as safety induction training, safety toolbox talks, specific training for high-risk activities, and periodic emergency contingency drills to heighten employee awareness of workplace hazards and ensure they are competent to discharge their occupational health and safety ("**OHS**") responsibilities and obligations, and respond to emergencies.

Regular safety meetings are held between safety officer and site supervision teams together with the participation of sub-contractors and worker's representatives to share the latest information and best practices regarding OHS. Safety officers are responsible to conduct site inspections to ensure that the Group's existing business operations and working procedures are in compliant with health and safety standards. Review and checking for updates of relevant laws and regulations are also performed on a regular basis.

For the Reporting Period, the work injury statistics for the Group were as follows:

Work Injury Statistics	Unit	2019/20	2018/19
Number of work-related fatalities	Case(s)	**0**	0
Rate of work-related fatalities	Percentage	**0%**	0%
Number of reported accidents (sick leave > 3 days)	Case(s)	**3**	11
Lost days due to work injury	Day(s)	**2,049**	1,147

During the Reporting Period, Lik Shing Engineering had been granted the award "Best Safety Subcontractor" by a main contractor as an acknowledgement of its efforts contributed to occupational health and safety for part of its projects. Furthermore, to reward staff members who contributed to occupational health and safety throughout project operations, relevant staff members were awarded "Best Safety Worker" achievements and performance bonus.

The Group is well aware of the potential health hazard the COVID-19 epidemic may bring to the Hong Kong society. Accordingly, the Group had implemented the following measures to contribute to fighting against the epidemic:

- Providing face masks and disinfectant products at head office and site offices for staff's use.
- Requiring staff to adhere to the Group's office hygiene requirement in response to COVID-19.
- Placing educational material regarding COVID-19 at head office to raise staff's hygiene awareness.

The above measures did not only protect health of our staff but also our customers and the communities closed to the worksites where the Group had operations. The Group will continue to optimise its work practices for the sake of staff health and safety with the aim of creating a safe, healthy and comfortable working environment. To this end, we comply strictly with applicable laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509), Employees' Compensation Ordinance (Cap. 282), and Factories and Industrial Undertakings Ordinance (Cap. 59), Laws of Hong Kong.

As at 31 March 2020, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards, except for the fact that there is a number of litigation cases are still in progress.

DEVELOPMENT AND TRAINING

The Group acknowledges that continuous development of our employees is the key to success. We are willing to invest in development programs and offer training to strengthen and widen their professional knowledge and technical abilities. We are committed to providing employees a suitable and appropriate platform for their career development, professionalism and promotion opportunities by encouraging them to proactively recognise their training needs and seek development to fulfil their personal and career aspirations. Performance appraisal is conducted between management and employees for continuous improvement on an annual basis.

In line with our commitment to providing adequate training opportunities to develop knowledge and skills of employees, we frequently arrange for experienced staff to provide directional instruction and guidance to junior staff, and provide educational subsidies to employees to pursue further studies and attend work-related external training programs to enrich their business expertise, competencies and skill sets for their career development. Such arrangements can improve their technical skills and managerial capability and encourage employees at all levels, also enhance the communication and team spirit. For newly hired employees, the Group provides comprehensive on-the-job training to help them to understand the Group's corporate culture and development, management systems, work health and safety measures, and business processes.

The directors and managerial staff of the Group are provided with various training sessions, so as to maintain continuing professional development and enhance their knowledge and skills. The training includes updates on rules for listed companies, and information about relevant laws and regulations, corporate governance and international accounting standards as well as corporate ethics training programme organised by the Independent Commission Against Corruption for directors.

During the Reporting Period, 36% of our male employees and 65% of female employees participated in training, with the average duration at approximately 0.91 hours and 7.79 hours respectively. The percentage of employees participating in training for senior employees, middle-level employees, entry-level employees and casual employees were approximately 90%, 81%, 50% and 28% respectively. The average duration of training in each of these categories was approximately 18.45 hours, 2.95 hours, 6.25 hours and 0.21 hours respectively. Successfully, the participation of our employees at entry level in training have been increased after refining our training plan and ensure employees from each level receive a significant level of training in this year.

LABOUR STANDARDS

The Group respects human rights and freedom and would strictly prohibit the uses of child and forced labour in our workplace by adhering to the Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance (Cap. 57), Laws of Hong Kong. We have comprehensive steps in place to regularly review our employment practices and would eliminate undesired practices if discovered. Prior to confirmation of employment, the Group's human resources staff would ask job applicants to maintain valid identity documents for verification of age and ensure that the applicants are lawfully employable. The Group and the employees sign employment contracts, explaining and detailing the rights and duties of both parties to prohibit any labour exploitation or forced labour. To align with the relevant laws and regulations, employment arrangements encompassing working environment, terms of employment, working hours, rest days and holidays are subjected to periodic review.

For the Reporting Period, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

SUPPLY CHAIN MANAGEMENT

The Group is well aware of the environmental and social impacts that may ensue along the supply chain and is committed to maintain and manage a sustainable and reliable supply chain that makes minimal negative impacts on the environment and society in collaboration with our suppliers and sub-contractors.

The Group evaluates suppliers and sub-contractors by considering their quality of work, cost, schedule, past performance, environmental and safety requirements. Regularly, the Group undertakes review to guarantee that its business partners effectively manage environmental and social risks along the supply chain. A list of approved suppliers and sub-contractors is maintained for management to keep track of their performance. We would only select suppliers and sub-contractors from this approved list. Exception can be considered only if individually reviewed and approved by management, or the relevant vendor is specifically requested by client of the Group. Terminating cooperation with them may be considered if any significant negative environment or social impact is noted from the selected suppliers or sub-contractors.

The Group also maintain close liaison with our suppliers and sub-contractors to ensure their consistent performance according to their service commitment. We have been continuously optimising and improving the supplier management system, regulating access, supervision, evaluation of suppliers and sub-contractors, and constantly increasing specialisation and transparency of supply chain management.

The Group performs inspections by our site agents upon materials delivery at project sites to certify the quality of materials provided by suppliers. In case of any quality issues, suppliers will provide replacement or exchange service after negotiation. The Group also maintains on-going communication with its clients to ensure understanding and satisfaction of their demand and expectations, as well as constantly improving its services.

During the Reporting Period, the Group had a total of 128 suppliers and 70 sub-contractors on its approved suppliers and sub-contractors list, all of which were based in Hong Kong. Looking ahead, the Group aims to promote local economic development and reduce its carbon footprint, by prioritising local suppliers by shortening the distance of transportation. In addition to geographical factors, we expect our suppliers to maintain sound social responsibility systems on managing environmental and social aspects, including environmental protection, safety and occupational health, product responsibility and human rights.

PRODUCT RESPONSIBILITY

The Group understands it is imperative to manage our relationships with our suppliers, sub-contractors and clients in a responsible and sustainable manner. We are dedicated to providing consistent and quality services to our clients and collaborating with our suppliers and sub-contractors to create win-win outcomes. In order to ensure the quality of the construction works, our project teams monitor the cost control and construction progress closely by implementing stringent quality control procedures and periodic on-site inspection. We strive to meet the specifications and requirements of our clients and the applicable statutory and regulatory requirements are.

To meet the demand of our clients, the Group has also developed its internal management system and would closely monitor project execution progress, with the aim of rendering premium and reliable service to our clients. We have established and implemented a quality management system ("**QMS**") in our operations, which are in conformity with the internationally recognised ISO 9001:2015 standard. With the implementation of our QMS, the quality and compliance with all project sites are ensured through a systematic control process in which inspection and testing of the works are carried out to detect non-compliance and is subject to rectification until quality specification is met.

The Group treasures the opinions from our clients and take them as a driving force to improve our quality of services. Hence, we endeavour to meet the needs and respond to the concerns of current and potential clients, and to handle their complaints with prudence and fairness. In order to manage and resolve complaints efficiently, the Group has formulated complaint handling procedures which clearly stipulated the responsibilities of responsible personnel.

During the Reporting Period, we received no complaints or claims from our customers arising from quality issues of works performed either by us or our sub-contractors, which in the view of the directors of the Group was the result of the effective quality control measures.

In compliance with the Personal Data (Privacy) Ordinance (Cap. 486), Laws of Hong Kong, we ensure that all the business data collected from our clients is treated as strictly confidential. Our clients' data can only be assessed by authorised personnel and data processing are guided by different departments to protect their information against improper disclosure, misuse or unauthorised use, loss, damage and corruption. Through internal trainings and confidentiality agreements, the Group enforces confidential obligation and consequences of data leakage.

The Group is dedicated to protecting and enforcing the Group's own intellectual property ("**IP**") rights as well as the IP rights of other enterprises. The Group obtained proper license for software and information it used in its business operations. Employees are also required to avoid having unlicensed computer software on their computers at the workplace.

Due to the nature of our business, no public advertisement is conducted, yet our clients have been referred to us by word-of-mouth, clients who are satisfied with our products and services share their experience with others.

For the Reporting Period, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

ANTI-CORRUPTION

We believe all successful business stands on the foundation of morality. We are committed to maintaining the highest ethical standard of business conduct and gives utmost importance to moral integrity and anti-corruption by adamantly complying with relevant regulations and laws, such as the Prevention of Bribery Ordinance (Cap. 201), and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), Laws of Hong Kong.

To prevent any negative social impact linked to corruption, the Group has established policies that prohibits all forms of fraud and corruption, such as bribery, extortion, illegal inducement, offering or accepting disallowed gifts, kickbacks or other disallowed advantages. Such policies are effectively conveyed to our employees to ensure their understanding of and compliance with all the applicable anti-corruption laws and regulations. Related information on anti-money laundering is also provided to employees to raise their awareness in this regard.

To facilitate identification of suspected cases of corruption, money laundering and other misconducts, the Group has developed a Whistle-Blowing Policy which is included in the staff handbook to facilitate disclosure of relevant information via a confidential reporting channel available to all employees. Employees can report verbally or in writing to the senior management for any suspected misconduct with full details and supporting evidence. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes. Reported cases are subject to independent investigations and proper follow-up is ensured. Additionally, the Group is fully aware that it is obligated to refer the matter to the legal enforcement parties or regulators and shall be subject to disciplinary action where appropriate.

To deepen the knowledge on corruption prevention in management level, the Group established an event with ICAC training materials for management staffs in January 2020. The event primarily focuses on three high corruption risk areas, including contract award, construction supervision and contract management. Our management staff members had greatly benefited from the event.

For the Reporting Period, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud, and money laundering.

GIVING BACK TO THE COMMUNITY

To honour its corporate social responsibility for the benefit of the society, the Group always seeks to be a positive force in the communities in which we operate and maintain close communications and interactions with the communities in order to contribute to local development from time to time. The Group hopes to foster employees' sense of social responsibility and build up positive value through encouraging them to participate in charitable activities.

As a way to contribute back to the local community, the Group gave out gifts to the elderly and donated money to a local community organisation during the Reporting Period. Not only does the community participation foster a closer relationship between the Group and the community, it also brings our staff members from different departments and project sites close to each other, boosting our team spirit to contribute to the well-being of the Group and the society.

We extend our care to the community by our donations of two tons of rice to Chiu Chow Yu Lan Sing Wui. The organisation pledges to give out the rice to people in need such as elderly and the poor. We hope our donations can help in promoting these charity events in the society.

Looking forward, we will continue to uphold the principle of being responsible for our clients, employees, shareholders and society, and will seek and capture opportunities to strive for a harmonious development between the Group and all related parties to make our due contributions.

PERFORMANCE DATA SUMMARY

Air Emissions	Unit	2019/20	2018/19
Nitrogen Oxide (NO_x)	kg	**1,087.08**	912.37
Sulphur Oxide (SO_x)	kg	**1.66**	1.00
Particulate Matter (PM)	kg	**80.76**	68.62

GHG Emissions		Unit	2019/20	2018/19
Direct emission or removals from sources (Scope 1)				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO_2)	tonne	**269.34**	161.62
	Methane (CH_4)	kg	**291.75**	171.45
	Nitrous oxide (N_2O)	tonne	**5.26**	4.92
Energy indirect emissions (Scope 2)				
Electricity purchased from power companies	Carbon Dioxide (CO_2)	tonne	**9.56**	7.96
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	Carbon Dioxide (CO_2)	tonne	**1.80**	2.03

Resources Consumption	Unit	2019/20	2018/19
Electricity Consumption	kWh	**15,172.23**	12,634.06
	kWh/employee	**83.82**	49.94

	Total Workforce No. of People in FY2019/20	Total Workforce No. of People in FY2018/19
By Gender		
Male	**149**	239
Female	**17**	14
By Age Group		
18–30 years old	**11**	25
31–40 years old	**40**	61
41–50 years old	**37**	53
51–60 years old	**54**	81
Over 60 years old	**24**	33
By Geographical Region		
Hong Kong	**166**	253
By Employee Category		
Senior Management	**10**	9
Middle Management	**20**	14
Entry Level	**4**	4
Casual Employees	**132**	226

Work Injury Statistics	Unit	2019/20	2018/19
Number of work-related fatalities	Case	**0**	0
Rate of work-related fatalities	Percentage	**0%**	0%
Number of reported accidents (sick leave > 3 days)	Case	**3**	11
Lost days due to work injury	Day	**2,049**	1,147

	Percentage of employees being trained in FY2019/20 Rate	Percentage of employees being trained in FY2018/19 Rate
By Gender		
Male	36%	21%
Female	65%	14%
By Category		
Senior Management	90%	100%
Middle Management	81%	36%
Entry Level	50%	0%
Casual Employees	28%	15%

	Average training hours completed in FY2019/20 No. of Hours	*Average training hours completed in FY2018/19 No. of Hours
By Gender		
Male	0.91	1.99
Female	7.79	5.32
By Category		
Senior Management	18.45	14.44
Middle Management	2.95	3.93
Entry Level	6.25	0
Casual Employees	0.21	1.61

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The following table provides an overview of the general disclosures and KPIs of various aspects under each subject area, which are either cross-referenced to the relevant chapters of the Report or supplementing the Report with additional information.

Description		Reference	Remark
ENVIRONMENTAL			
Aspect A1: EMISSIONS			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting the Environment	
KPI A1.1	The types of emissions and respective emissions data.	Emissions	
KPI A1.2	GHG in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A	We do not generate hazardous waste in our operations.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	

Description		Reference	Remark
Aspect A2: USE OF RESOURCES			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources	The Group encounters no issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	We do not generate significant packaging material waste in our operations.
Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources	

Description		Reference	Remark
EMPLOYMENT AND LABOUR PRACTICES			
Aspect B1: EMPLOYMENT			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hour, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare.	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment and Labour Practices — Staff Composition	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	N/A	
Aspect B2: HEALTH AND SAFETY			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employee from occupational hazards.	Health and Safety	
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety	
KPI B2.2	Lost days due to work injury.	Health and Safety	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	

Description		Reference	Remark
Aspect B3: DEVELOPMENT AND TRAINING			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training	
KPI B3.2	The average training hours completed per employee gender and employee category.	Development and Training	
Aspect B4: LABOUR STANDARDS			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	
OPERATING PRACTICES *Aspect B5: SUPPLY CHAIN MANAGEMENT*			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	

Description		Reference	Remark
Aspect B6: PRODUCT RESPONSIBILITY			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	
KPI B6.1	Percentage to total products sold or shipped subject to recalls for safety and health reasons.	N/A	There were no recalls concerning the provision.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A	There were no validated complaints received during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility	
KPI B6.4	Description of quality assurance process and recall procedures.	N/A	Recall procedures are not relevant to our operations.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility	

Description		Reference	Remark
Aspect B7: ANTI-CORRUPTION			
General Disclosure	Information on (a) the policies: and (b) compliance with relevant laws and regulations that they have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcome of the cases.	N/A	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption	
COMMUNITY *Aspect B8: COMMUNITY INVESTMENT*			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Giving Back to the Community	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Giving Back to the Community	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Giving Back to the Community	

DIRECTORS' REPORT

The directors of the Company (the "**Directors**") presents to the Shareholders their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machinery leasing. Details of the principal activities of its subsidiaries are set out in notes 1 and 34 to the consolidated financial statements. There was no significant change in the Group's principal activities during the year ended 31 March 2020.

BUSINESS REVIEW

A review on the Group's business for the year ended 31 March 2020 is set out under the section headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 10 in this annual report.

A discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position are set out in the "Five Year Financial Summary" on page 124 and in the "Management Discussion and Analysis" on pages 4 to 10 in this annual report.

RESULTS AND DIVIDENDS

During the Reporting Period, no interim dividend (2019: nil) has been declared and paid.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of the view that our employees, customers, sub-contractors and suppliers are the keys to the sustainable development of the Group. The Group strive to achieve corporate sustainability through engaging employees, providing quality products and services to our customers, collaborating with suppliers to deliver quality sustainable products and services and supporting our community.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group during the Reported Period, is set out under the subsection headed "Risks and Uncertainties" on pages 6 to 7 in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61 of this annual report.

ANNUAL GENERAL MEETING ("AGM")

The 2020 AGM of the Company will be held on Thursday, 20 August 2020. The notice of the 2020 AGM of the Company will be published and despatched to the Shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The 2020 AGM of the Company has been scheduled to be held on Thursday, 20 August 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Friday, 14 August 2020 to Thursday, 20 August 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 August 2020.

PLANT AND EQUIPMENT

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

DONATION

During the Reporting Period, HK$58,600 charitable donation had been made by the Group (2019: HK$3,000).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years are set out on page 124 of this annual report.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 March 2020 are set out in note 26 to the consolidated financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity on page 63 of this annual report. As at 31 March 2020, the Group had retained profit amounted to approximately HK$34.3 million available for distribution to the Company's shareholders.

EQUITY-LINKED AGREEMENTS

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

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

As at 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this report, the Directors are not aware of any change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this report.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Since 20 October 2017 (the "**Listing Date**"), the Company has arranged appropriate Directors' and Officers' Liability Insurance coverage for all Directors and senior management of the Company.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's 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.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 21 September 2017. The principal terms of the Share Option Scheme have been summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 31 March 2020. Details of the share option scheme of the Group are set out in note 32 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Li Cheuk Kam
Mr. Li Wai Fong
Mr. Liauw Hung (Retired on 15 August 2019)

Non-Executive Director ("NED")

Mr. Poon Wai Kong

Independent Non-Executive Directors ("INEDs")

Mr. Wong Chik Kong
Mr. Chan Chung Kik, Lewis
Mr. Lee Kwok Lun

The appointment and re-election of Directors are set out in the subsection headed "Appointment and Re-election of Directors" in this annual report.

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

Information regarding Directors' emoluments and the five highest paid individual's remuneration is set out in note 12 and note 13 respectively to the consolidated financial statements of this annual report. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the INEDs. The Group considers all INEDs are independent under the Listing Rules.

DIRECTORS' SERVICE CONTRACT

Each of the Executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party.

Mr. Poon Wai Kong, the Non-executive Director of the Company, has entered into a service contract with the Company for an initial fixed term of three years commencing from 12 October 2018 until terminated by not less than one month's notice in writing served by either party.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing.

None of the Directors who are being proposed for re-election at the forthcoming AGM has a service contract with any member of the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year ended 31 March 2020.

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

On 10 June 2019, Lik Shing Engineering Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a lease agreement (the "**lease transaction**") with a company wholly-owned by Mr. Li Cheuk Kam (being an Executive Director, the Chairman of the Board and the controlling shareholder of the Company under the Listing Rules), for leasing an office premises located at "Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong" for a term of three years commencing from 1 July 2019 to 30 June 2022 at a monthly rental of HK$40,000 (exclude Government rent, rates, management fee and electricity expenses). This lease transaction which had been approved by the Board on 6 June 2019 constitutes a connected transaction of the Company. Independent professional third party has been engaged to provide a market rental value opinion.

This lease transaction is conducted on normal commercial terms or better and the monetary amount involved on its own fall within de minimis transactions. According to Chapter 14A.76(1)(c) of the Listing Rules, this lease transaction is fully exempt from the reporting, annual review, announcement, circular and shareholders' approval requirements as all the percentage ratios (other than the profits ratio because net loss incurred for the Company) are less than 5% and the total consideration is less than HK$3,000,000.

Save as disclosed above, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2020.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group since the Listing Date and up to 31 March 2020.

NON-COMPETITION UNDERTAKING

The controlling shareholders have entered into a deed on non-competition dated 21 September 2017 in favour of the Company (for itself and as trustee for each of the subsidiaries of the Group) (the "**Deed of Non-competition**"). Each of the controlling shareholders has made an annual declaration to the Company that since the Listing Date and up to 31 March 2020, he/it has complied with the terms of non-competition undertakings (the "**Non-Competition Undertakings**") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

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

(i) Long position in the Shares

Name	Capacity/nature	Total number of Shares Held/Interested	Percentage of Shares in issued
Mr. Li Cheuk Kam	Interest in a controlled corporation (Note)	484.998,000	51.94%

Note: The 484,998,000 Shares are held by Colourfield Global Limited ("**Colourfield Global**"). Mr. Li Cheuk Kam beneficially owns 100% of the entire issued share capital of Colourfield Global and is deemed, or taken to be, interested in all the Shares held by Colourfield Global for the purposes of the SFO. Mr. Li Cheuk Kam is the sole director of Colourfield Global.

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

Name of Director	Name of associated corporation	Capacity/Nature	Total number of Shares Held/Interested	Percentage of Shares in issued
Mr. Li Cheuk Kam	Colourfield Global	Beneficial owner (Note)	5	100%

Note: The 484,998,000 Shares are held by Colourfield Global Limited ("**Colourfield Global**"). Mr. Li Cheuk Kam beneficially owns 100% of the entire issued share capital of Colourfield Global and is deemed, or taken to be, interested in all the Shares held by Colourfield Global for the purposes of the SFO. Mr. Li Cheuk Kam is the sole director of Colourfield Global.

(iii) Short position

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

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

Long position in the Shares of the Company

Name	Capacity/nature	Total number of Shares Held/Interested	Percentage of Shares in issued
Colourfield Global	Beneficial owner (Note 1)	484,998,000	51.94%
Ms. Chau Man Chun	Interest of spouse (Note 2)	484,998,000	51.94%
Great Pride Global Limited	Beneficial Owner (Note 3)	190,002,000	20.35%
Mr. Ho Chun Shu	Interest in a controlled corporation (Note 4)	190,002,000	20.35%

Notes:

1. 484,998,000 Shares are beneficially owned by Colourfield Global, which is wholly-owned by Mr. Li Cheuk Kam.

2. Ms. Chau Man Chun is the spouse of Mr. Li Cheuk Kam and is deemed or taken to be interest in all the Shares in which Mr. Li Cheuk Kam has, or is deemed to have, an interest for the purposes of the SFO.

3. 190,002,000 Shares are beneficially owned by Great Pride Global Limited which is wholly-owned by Mr. Ho Chun Shu.

4. 190,002,000 Shares are held by Great Pride Global Limited. Mr. Ho Chun Shu beneficially owns 100% of the entire issued share capital of Great Pride Global Limited and is deemed, or taken to be, interested in the Shares held by Great Pride Global Limited for the purposes of the SFO.

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme of the Company, at no time during the Reporting Period was the Company, its or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and the Chief Executive (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

MAJOR CUSTOMERS AND SUPPLIERS

The approximate percentages of revenue and cost of services during the year ended 31 March 2020 attributable to the Group's major customers and suppliers are as follows:

Revenue

— the largest customer	43.1%
— five largest customers	95.7%

Purchase

— the largest supplier	15.4%
— five largest suppliers	56.8%

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the top five largest customers nor suppliers during the year ended 31 March 2020.

KEY PERFORMANCE INDICATORS

The following table sets forth key performance indicators of the Group as at the dates or for the years indicated:

	As at or for the year ended 31 March	
	2020	2019
Current Ratio (Note 1)	**4.2**	3.9
Gearing ratio (Note 2)	**2.6%**	3.4%
Return on total assets (Note 3)	**–6.9%**	–15.4%
Return on equity (Note 4)	**–8.6%**	–19.9%
Interest coverage (Note 5)	**(66.2)**	(122.4)

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.

2. Gearing ratio is calculated based on the total debts (defined as the sum of the lease liabilities, bank borrowings and obligations under finance leases) divided by the total equity as at the end of each reporting period and multiplied by 100%.

3. Return on total assets is calculated by the loss attributable to owners of our Company for the year divided by the total assets as at the end of each reporting period and multiplied by 100%.

4. Return on equity is calculated by the loss attributable to owners of our Company for the year divided by the total equity as at the end of each reporting period and multiplied by 100%.

5. Interest coverage is calculated by the loss before interest and tax divided by the interest for the respective year.

Current ratio

The Group's current ratio increased from approximately 3.9 times as at 31 March 2019 to approximately 4.2 times as at 31 March 2020. Such increase was primarily due to the decrease in current liabilities as at 31 March 2020.

Gearing ratio

The Group's gearing ratio decreased from approximately 3.4% as at 31 March 2019 to 2.6% as at 31 March 2020. The decrease was primarily due to repayment of borrowings and lease liabilities.

Return on total assets and return on equity

The Group's negative return on total assets decreased from approximately 15.4% as at 31 March 2019 to approximately 6.9% as at 31 March 2020 and negative return on equity decreased from approximately 19.9% as at 31 March 2019 to approximately 8.6% as at 31 March 2020 respectively. Such decrease was primarily due to the decrease in operation loss during the year ended 31 March 2020 as compared to that for the year ended 31 March 2019.

Interest coverage

The Group's negative interest coverage decreased from approximately 122.4 times as at 31 March 2019 to approximately 66.2 times as at 31 March 2020. Such decrease was primarily due to the decrease in borrowings and lease liabilities during the year ended 31 March 2020.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as disclosed in note 29 to the consolidated financial statements of this annual report, and none of which constitute a disclosable and/or connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

MARKET CAPITALISATION

As at 31 March 2020, the market capitalisation of the listed securities of the Company was approximately HK$252,112,500 based on the total number of 933,750,000 issued shares of the Company and the closing price of HK$0.27 per share.

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT SCHEME

The Group participates in a mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes for the year ended 31 March 2020.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. The Audit Committee has reviewed the audited financial statements for the year ended 31 March 2020 in conjunction with the Company's Auditor and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

INDEPENDENT AUDITOR

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

CORPORATE GOVERNANCE CODE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 15 to 24 in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company recognises its responsibility to protect the environment from its business activities. The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with the laws and regulations regarding environmental protection and adopted effective environmental practices to ensure that our business meet the required standards and ethics in respect of environmental protection. Information on environmental policies and performance of the Group are set out in the section headed "Environment, Social and Governance Report" on pages 25 to 45 in this annual report.

DIVIDEND POLICY

The Company has adopted a Dividend Policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account a number of factors, including the financial performance, the distributable reserves, the operations and liquidity position, the current and future development plans of the Company and any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

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 the 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.

By Order of the Board
Wing Chi Holdings Limited
Li Cheuk Kam
Chairman
Hong Kong, 29 June 2020

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

To the Members of
WING CHI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wing Chi Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 61 to 123, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Accounting for construction contracts
- Impairment of trade receivables and contract assets

Accounting for construction contracts

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 72 to 74.

The key audit matter	How the matter was addressed in our audit
The Group recorded revenue from the provision of foundation and site formation works in Hong Kong approximately HK$313,892,000 for the year ended 31 March 2020. Contract revenue is recognised progressively over time using output method, based on direct measurements of the value of services delivered and the estimated total revenue for the contracts entered into by the Group. When the outcome of a construction contract cannot be reasonably measured, contract revenue is recognised only to the extent of contract cost incurred that are likely to be recoverable. Contract costs are recognised when work is performed, together with any provisions for expected contract losses. Management reviews and revises the estimates of contract revenue, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses. We identified accounting for construction contracts as a key audit matter because the estimation of the total contract revenue, total costs to complete contracts and value of works performed by the Group is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.	We have assessed the design, implementation and operating effectiveness of key internal controls over the contract revenue recognition processes. We have obtained a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements and certifications referred to by management in its assessment of the estimated costs to completion. We have assessed whether the construction revenue and cost recognised was reasonable through the inspection of the certificate of completion stage issued by customers and critically challenged the forecasted costs to complete, contract costs, and the completeness and validity of provisions. We have assessed reliability of management's assessment in budgeted costs by considering the historical actual costs and estimation of budgeted costs of completed projects.

Impairment of trade receivables and contract assets

Refer to notes 20 and 19 to the consolidated financial statements and the accounting policies on pages 81 to 84.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2020, the Group has trade receivables and contract assets of approximately HK$8,210,000 and HK$97,386,000 respectively. We identified the impairment of trade receivables and contract assets as a key audit matter due to the significance to the Group's consolidated financial statements and the involvement of subjective judgement and management estimates based on the historical default rates, past-due status and ageing information of the grouped debtors and the forward-looking information in evaluating the expected credit losses ("**ECL**") of the Group's trade receivables and contract assets at the end of the reporting period.	Our procedures were designed to obtain and review the management's assessment of the impairment of trade receivables and contract assets. We have understood the key controls on how the management estimates the loss allowance for trade receivables and contract assets. We have tested the accuracy of the ECL adjustment made by the Group at the end of the reporting period and the information used by management to develop the provision matrix, including trade receivables ageing analysis, on a sample basis, by comparing individual items in the analysis with the relevant contracts, invoices and other supporting documents. We have challenged management's basis and judgement in determining credit loss allowance on trade receivables and contract assets at the end of the reporting period, including the reasonableness of management's grouping of trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Wing Kit.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
29 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Revenue	*7*	**326,498**	392,539
Cost of sales		**(319,227)**	(404,921)
Gross profit (loss)		**7,271**	(12,382)
Other income and gains	*8*	**697**	1,251
Administrative expenses		**(21,141)**	(21,190)
Finance costs	*9*	**(199)**	(264)
Loss before taxation		**(13,372)**	(32,585)
Income tax expense	*10*	**(350)**	(1,922)
Loss and total comprehensive expense for the year	*11*	**(13,722)**	(34,507)
Loss per share:			
Basic and diluted	*15*	**(1.5) cents**	(3.7) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Non-current assets			
Plant and equipment	*16*	**32,635**	34,065
Investment property	*17*	**7,300**	7,600
Right-of-use assets	*18*	**4,370**	–
		44,305	41,665
Current assets			
Contract assets	*19*	**97,386**	112,160
Trade and other receivables	*20*	**8,810**	14,735
Tax recoverable		**513**	–
Restricted bank deposits	*21*	**6,889**	4,240
Bank balances	*21*	**41,741**	51,332
		155,339	182,467
Current liabilities			
Trade and other payables	*22*	**33,202**	42,108
Lease liabilities	*18*	**1,626**	–
Bank borrowings	*23*	**1,883**	2,025
Obligations under finance leases — due within one year	*24*	**–**	2,482
Tax payable		**–**	415
		36,711	47,030
Net current assets		**118,628**	135,437
Total assets less current liabilities		**162,933**	177,102
Non-current liabilities			
Obligations under finance leases — due after one year	*24*	**–**	1,290
Deferred tax liabilities	*25*	**2,957**	2,800
Lease liabilities	*18*	**686**	–
		3,643	4,090
Net assets		**159,290**	173,012
Capital and reserves			
Share capital	*26*	**9,338**	9,338
Reserves		**149,952**	163,674
		159,290	173,012

The consolidated financial statements on pages 61 to 123 were approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

Li Cheuk Kam
Director

Li Wai Fong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK$'000	Share Premium HK$'000	Merger reserve *(Note)* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018	9,338	115,593	10	82,578	207,519
Loss and total comprehensive expense for the year	–	–	–	(34,507)	(34,507)
At 31 March 2019 and 1 April 2019	9,338	115,593	10	48,071	173,012
Loss and total comprehensive expense for the year	–	–	–	(13,722)	(13,722)
At 31 March 2020	9,338	115,593	10	34,349	159,290

Note:

Merger reserve represented the difference between the nominal value of the shares issued by the Company and the amount of issued share capital of the subsidiaries acquired pursuant to the group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(13,372)**	(32,585)
Adjustments for:		
Bank interest income	**(49)**	(153)
Finance costs	**199**	264
Loss (gain) on disposal of plant and equipment	**10**	(200)
Impairment loss on trade receivables	**4**	339
Impairment loss on contract assets	**1,024**	–
Fair value loss (gain) on investment property	**300**	(670)
Government grants	**(410)**	–
Depreciation of plant and equipment	**11,150**	12,065
Depreciation of right-of-use assets	**2,273**	–
Operating cash flows before movements in working capital	**1,129**	(20,940)
Decrease (increase) in contract assets	**13,750**	(2,926)
Decrease in contract liabilities	**–**	(1,793)
Decrease in trade and other receivables	**5,921**	1,937
(Decrease) increase in trade and other payables	**(8,906)**	221
(Increase) decrease in restricted bank deposits	**(2,649)**	6,629
Cash from (used in) operations	**9,245**	(16,872)
Income taxes paid	**(1,121)**	(1,389)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**8,124**	(18,261)
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(15,273)**	(18,249)
Proceeds from disposal of plant and equipment	**240**	1,243
Government grants received	**410**	–
Interest received	**49**	153
NET CASH USED IN INVESTING ACTIVITIES	**(14,574)**	(16,853)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(142)**	(436)
Repayment of obligations under finance leases	**–**	(2,350)
Repayment of lease liabilities	**(2,800)**	–
Interest paid	**(199)**	(264)
NET CASH USED IN FINANCING ACTIVITIES	**(3,141)**	(3,050)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,591)**	(38,164)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**51,332**	89,496
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances	**41,741**	51,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

Wing Chi Holdings Limited ("**the Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 2017. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company and immediate holding company is Colourfield Global Limited, a limited company incorporated in the British Virgin Islands ("**BVI**"). Its ultimate controlling party is Mr. Li Cheuk Kam (the "**Controlling Shareholder**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company, while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machineries leasing.

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

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

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

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

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

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

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

2.1 Impacts on adoption of HKFRS 16 Leases

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

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

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The operating lease commitments disclosed as at 31 March 2019 amounting to HK$20,000 are short-term lease, without recognition of right-of-use assets and lease liabilities as at 1 April 2019.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments.

The Group leases machineries and motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the leased asset and leased liability under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities, and the carrying amount of the corresponding lease asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

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

2.1 Impacts on adoption of HKFRS 16 Leases (Continued)

The Group as lessor

The Group leases some of the machineries. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

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

	Note	Carrying amount previously reported at 31 March 2019 HK$'000	Impact on adoption of HKFRS 16 HK$'000	Carrying amount as restated at 1 April 2019 HK$'000
Plant and equipment	*(a)*	34,065	(5,303)	28,762
Right-of-use assets	*(a)*	–	5,303	5,303
Obligations under finance leases	*(a)*	3,772	(3,772)	–
Lease liabilities	*(a)*	–	3,772	3,772

Note:

(a) The obligations under finance leases of approximately HK$3,772,000 as at 31 March 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to approximately HK$5,303,000 is reclassified to right-of-use assets.

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

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

2.2 Practical expedient applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedient permitted by the standard:

- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
Amendment to HKFRS 16	COVID-19-Related Concessions[5]

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

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the consolidated statement of financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment property that is measured at fair values, at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

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

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

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

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

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

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Plant and equipment

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

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

Prior to the adoption of HKFRS 16, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Cash and cash equivalents

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Revenue recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

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

Contract assets and contract liabilities

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

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

The Group recognised revenue from the following major sources:

- Provision of foundation and site formation works (Construction contract)
- Machineries leasing

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Construction contracts

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

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

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

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

Revenue from provision of foundation and site formation works is recognised over time, using output method for measuring progress, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Groups performance in transferring control of services. The value of the services is measured according to the certificate of completion stage issued by customers.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Contract costs

The Group incurs costs (including labour costs, utility expenses, materials and consumables and others) to fulfill a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognised an asset for these costs only if they meet all of the following criteria:

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

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

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Accounting Policy applicable on or after 1 April 2019

Definition of a lease

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

The Group as lessee

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

Lease liabilities

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

Lease payments included in the measurement of the lease liability comprise:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured 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.

Right-of-use assets

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use asset as a separate line in the consolidated statement of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its machineries and motor vehicles. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Accounting Policy applicable prior to 1 April 2019

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

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

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

Employee benefits

Retirement benefits cost

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

Short-term employee benefits

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in investment property over time, rather than through sale. Therefore, the directors of the Company have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on the fair value changes of the investment property on disposal.

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

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

Current and deferred tax are recognised in profit or loss.

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

(i) *Amortised cost and effective interest method*

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

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

(i) Amortised cost and effective interest method (Continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

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

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

Impairment of financial assets

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

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

- 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;
- significant increases in credit risk on other financial instruments of the same 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 1 year past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'low risk'. Low risk means that the counterparty has a strong financial position and there is no past due amounts.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Definition of default

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

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 2 years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or 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 into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, etc, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

The Group recognises an impairment gain or loss in profit or loss for all other financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

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

Derecognition of financial liabilities

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

Fair value measurement

When measuring 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Judgments in determining the timing of satisfaction of performance obligations

The recognition of each of the Group's revenue stream requires judgment by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For the Group's provision of foundation and site formation works business, the directors of the Company has assessed that the Group's performance creates and enhances an asset that the customer controls as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised the revenue over the construction period.

Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment property, the directors of the Company have determined that the presumption that the carrying amounts of investment property measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the Group is not subject to any income taxes on disposal of its investment property.

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

Key sources of estimation uncertainty

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

Accounting for construction contracts

The management measures the value of completed construction work based on the basis of direct measurement of the value of construction work transferred to the customer to date relative to the remaining construction works promised to be completed under the construction contract. Most construction works take 1 to 2 years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the construction contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The construction works performed by the Group would be certified by the independent quantity surveyors of the customers periodically according to the construction contracts. The Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progresses based on the construction progress and the certification issued by the customers. When the outcome of a construction contract cannot be reasonably measured (uncertified work or unagreed income), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Onerous contracts

The Group determines whether contracts with customers are onerous contracts based on the latest available budgets of those contracts with reference to the overall contracts consideration of each contract which requires management's best estimates and judgements. Construction revenue is estimated in accordance with the terms set out in the relevant contracts. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction revenue and budgeted costs. Any change in the estimates of construction revenue or budgeted cost will affect the amount of foreseeable losses arising from onerous contracts recognised in the profit or loss in the year of the change. No provision was made for the year ended 31 March 2020 (2019: nil).

Depreciation of plant and equipment and right-of-use assets

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period. Right-of-use assets are depreciated using the straight-line method over the shorter period of lease term and estimated useful life of the underlying assets.

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for trade receivables and contract assets. The provision matrix is based on the Group's historical default rates taking into consideration of those grouped debtors' past-due status and their ageing information as they have similar loss patterns and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The information about the ECL on the Group's trade receivables and contract assets are disclosed in notes 20 and 19 respectively.

The carrying amount of trade receivables at 31 March 2020 is approximately HK$8,210,000 (2019: HK$12,766,000), net of accumulated loss allowance of approximately HK$343,000 (2019: HK$339,000).

The carrying amount of contract asset at 31 March 2020 is approximately HK$97,386,000 (2019: HK$112,160,000), net of accumulated loss allowance of approximately HK$1,024,000 (2019: nil).

Fair value of investment property

Investment property is stated at fair value based on the valuation performed by independent professional valuer. In determining the fair value, the valuer have based on a method of valuation which involves certain estimated of market conditions. In relying on the valuation report, the directors of the Company have exercised their estimation and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment property being recognised in profit or loss. The carrying amount of investment property measured at fair value at 31 March 2020 is approximately HK$7,300,000 (2019: HK$7,600,000).

Impairment of plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amounts of its plant and equipment with finite useful lives of approximately HK$32,635,000 (2019: HK$34,065,000) and identified there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as cash flow projections and discount rates. Based on the estimated recoverable amounts, no impairment has been recognised in profit or loss (2019: nil).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through from 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 bank borrowings disclosed in note 23, lease liabilities disclosed in note 18, obligations under finance leases disclosed in note 24, restricted bank deposits and bank balances disclosed in note 21, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new borrowings or the redemption of existing borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Financial assets at amortised cost (including bank balances)	**57,229**	69,280
Financial liabilities		
Financial liabilities at amortised cost	**35,047**	44,095

Financial risk management objectives and policies

The Group's major financial assets and financial liabilities include trade and other receivables, restricted bank deposits, bank balances, trade and other payables, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate restricted bank deposits (see note 21) and fixed-rate obligations under finance leases (see note 24). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances (see note 21) and variable-rate bank borrowings (see note 23). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the HKD Prime lending rate (the "Prime rate") arising from the Group's Hong Kong dollar denominated bank borrowings.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The exposure to interest rates for variable-rate bank balances at the end of the reporting period is not material to the Group. As no significant impacts on the results of the Group would arise from possible changes in interest rates for variable-rate bank balances, accordingly sensitivity analysis in this respect is not presented.

The sensitivity analysis below has been determined based on the exposure of the Group's variable-rate bank borrowings to interest rates at the end of the reporting period. The analysis is prepared assuming that the financial instruments outstanding as at 31 March 2020 were outstanding for the whole reporting period. A 50 basis points (2019: 50 basis points) increase or decrease is used for the year ended 31 March 2020 when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower for the year ended 31 March 2020 and all other variables were held constant, the Group's post-tax loss would increase/decrease by approximately HK$8,000 for the year ended 31 March 2020 (2019: post-tax loss would increase/decrease by HK$8,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at 31 March 2020 and 2019, 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 amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Management considered the deposits and other receivables to be low credit risk and thus the measurement of the loss allowance was limited to 12-month ECL.

The credit risk on liquid funds and restricted bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the measurement of the loss allowance was limited to 12-month ECL.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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

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

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management team to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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

Internal credit rating	Description	Basic for recognising ECL
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watchlist	Debtor frequently repays after due dates but usually settle after due date	12-month 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
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

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

31 March 2020

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	*(Note)*	lifetime ECL (simplified approach)	8,553	(343)	8,210
Contract assets	*(Note)*	lifetime ECL (simplified approach)	98,410	(1,024)	97,386
Deposits and other receivables	Low risk	12-month ECL	389	–	389
				(1,367)	

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit quality of the Group's financial assets and contract assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are disclosed below: (Continued)

31 March 2019

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	*(Note)*	lifetime ECL (simplified approach)	13,105	(339)	12,766
Contract assets	*(Note)*	lifetime ECL (simplified approach)	112,160	–	112,160
Deposits and other receivables	Low risk	12-month ECL	942	–	942
				(339)	

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Notes 20 and 19 include further details on the loss allowance for these assets respectively.

As at 31 March 2020, the Group does not have any concentration of credit risk (2019: nil) of the total trade receivables due from the Group's largest customer while 86% (2019: 75%) of the total trade receivables was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 100% (2019: 100%) of the total trade receivables as at 31 March 2020.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank borrowings as a significant source of liquidity and the management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

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

The table includes both interest and principal cash flows.

	At 31 March 2020				
	On demand or within 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables *(Note 22)*	33,164	–	–	33,164	33,164
Bank borrowings *(Note 23)*	1,883	–	–	1,883	1,883
Lease liabilities *(Note 18)*	1,686	585	120	2,391	2,312
	36,733	585	120	37,438	37,359

	At 31 March 2019				
	On demand or within 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables *(Note 22)*	42,070	–	–	42,070	42,070
Bank borrowings *(Note 23)*	2,025	–	–	2,025	2,025
Obligations under finance leases *(Note 24)*	2,588	1,206	105	3,899	3,772
	46,683	1,206	105	47,994	47,867

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Note:

Bank borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 31 March 2020, the aggregate undiscounted principal amounts of bank borrowings with a repayment on demand clause amounted to approximately HK$1,883,000 (2019: HK$2,025,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$2,162,000 (2019: HK$2,371,000).

The directors of the Company believe that the principal and interest will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

Liquidity table	Within 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Bank borrowings						
At 31 March 2020	**192**	**192**	**576**	**1,202**	**2,162**	**1,883**
At 31 March 2019	193	193	579	1,406	2,371	2,025

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurement

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their immediate or short-term maturities.

The directors of the Company also consider that the carrying amounts of non-current financial liability recorded at amortised cost in the consolidated financial statements approximate to its corresponding fair values due to insignificant impact of discounting.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from provision of foundation and site formation works and machineries leasing for the year. An analysis of the Group's revenue for the year is as follows:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
— Provision of foundation and site formation works	**313,892**	381,551
Revenue from other sources		
— Machineries leasing	**12,606**	10,988
	326,498	392,539

Disaggregation of revenue by timing of recognition:

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
Over time	**313,892**	381,551
Total revenue from contracts with customers	**313,892**	381,551

Transaction price allocated to the remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK$305,573,000 (2019: HK$149,242,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12 to 18 months (2019: 12 months) during the year ended 31 March 2020.

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("**CODM**") (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group's operating activity is attributable to a single operating segment focusing on the provision of foundation and site formation works and machineries leasing. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of foundation and site formation works for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers presented based on the location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group presented based on the location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

Information about major customers

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

	2020 **HK$'000**	2019 HK$'000
Customer A	**140,634**	N/A*
Customer B	**52,866**	129,073
Customer C	**87,212**	58,467
Customer D	**N/A***	88,724
Customer E	**N/A***	39,291

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

8. OTHER INCOME AND GAINS

	2020 **HK$'000**	2019 HK$'000
Bank interest income	**49**	153
Gain on disposal of plant and equipment	**–**	200
Fair value gain on investment property	**–**	670
Rental income	**228**	228
Government grants *(Note)*	**410**	–
Sundry income	**10**	–
	697	1,251

Note:

Government grants were received for the year ended 31 March 2020 (2019: nil) under the "Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" upon disposal of certain motor vehicles and the Construction Industry Anti-epidemic Fund provided by the Government.

For the year ended 31 March 2020

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interests on:		
— bank borrowings	**51**	59
— obligations under finance leases	**–**	205
— lease liabilities	**148**	–
	199	264

10. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current year taxation		
Hong Kong Profits Tax	**193**	720
Deferred taxation *(note 25)*	**157**	1,202
	350	1,922

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI for the year ended 31 March 2020 (2019: nil).

The income tax charge for the year ended 31 March 2019 to Hong Kong Profits Tax has been relieved by approximately HK$21,000 as a result of tax losses brought forward from previous years (2020: nil).

Under the two-tiered profits tax rates regime, the first HK$2 millions of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 millions will be taxed at 16.5%. For the year ended 31 March 2020 and 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

10. INCOME TAX EXPENSE (Continued)

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

	2020 **HK$'000**	2019 HK$'000
Loss before taxation	**(13,372)**	(32,585)
Tax calculated at the tax rate of 16.5% (2019: 16.5%)	**(2,206)**	(5,377)
Tax effect of expenses not deductible for tax purpose	**813**	639
Tax effect of income not taxable for tax purpose	**(68)**	(149)
Tax effect of deductible temporary differences not recognised	**152**	272
Tax effect of tax losses not recognised	**1,818**	6,763
Utilisation of tax losses previously not recognised	**–**	(21)
Effect of two-tiered profits tax rates regime	**(119)**	(165)
Effect of tax exemption granted *(note)*	**(40)**	(40)
Income tax expense for the year	**350**	1,922

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2019/2020 by 75% (2018/2019: 75%), subject to a ceiling of HK$20,000 (2019: HK$20,000) per company.

Details of deferred taxation are set out in note 25.

11. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging:		
Directors' and chief executive's emoluments *(note 12)*	**2,189**	2,662
Staff costs (excluding directors' and chief executive's emoluments)		
— Salaries, wages, allowances and other benefits	**67,644**	72,376
— Contributions to retirement benefits scheme	**2,273**	2,826
Total staff costs	**69,917**	75,202
Impairment loss on trade receivables	**4**	339
Impairment loss on contract assets	**1,024**	–
Auditor's remuneration	**850**	850
Depreciation of plant and equipment	**11,150**	12,065
Depreciation of right-of-use assets	**2,273**	–
Loss on disposal of plant and equipment	**10**	–
Fair value loss on investment property	**300**	–
Minimum lease payments paid under operating lease in respect of rental office premises *(Note)*	**N/A**	342

Note:

Operating lease payments in respect of leased premise for the year ended 31 March 2019 represent payments made and accounted for under HKAS 17. Details of the lease payments made for the year ended 31 March 2020 are set out in Note 18.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Year ended 31 March 2020			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:				
Executive directors				
Mr. Li Cheuk Kam ("**Mr. Li**") *(Note i)*	–	675	18	693
Mr. Li Wai Fong	–	405	18	423
Mr. Liauw Hung *(Note iii)*	–	376	7	383
Non executive director				
Mr. Poon Wai Kong	240	–	–	240
Independent non-executive directors				
Mr. Wong Chik Kong	150	–	–	150
Mr. Chan Chung Kik, Lewis	150	–	–	150
Mr. Lee Kwok Lun	150	–	–	150
	690	1,456	43	2,189

12. DIRECTOR AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Details of emoluments paid or payable to each of the directors and chief executive of the Company are as follows: (Continued)

	Year ended 31 March 2019			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:				
Executive directors				
Mr. Li *(Note i)*	–	600	18	618
Mr. Li Wai Fong	–	360	18	378
Mr. Li Kun Yee *(Note ii)*	–	80	3	83
Mr. Liauw Hung *(Note iii)*	–	1,002	18	1,020
Non executive director				
Mr. Poon Wai Kong	113	–	–	113
Independent non-executive directors				
Mr. Wong Chik Kong	150	–	–	150
Mr. Chan Chung Kik, Lewis	150	–	–	150
Mr. Lee Kwok Lun	150	–	–	150
	563	2,042	57	2,662

Notes:

(i) Mr. Li is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(ii) Resigned on 1 June 2018.

(iii) Resigned on 15 August 2019.

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

Neither the chief executive nor any of the directors of the Company have received any inducement to join or upon joining the Group or compensation for loss of office during the year ended 31 March 2020 (2019: nil).

13. EMPLOYEES EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2019: one) of them was the director and chief executive of the Company, one (2019: one) of them was the director resigned on 15 August 2019. The emoluments of the director and chief executive of the Company are included in the disclosures in note 12 above. The emoluments of the remaining three (2019: three) individuals and the resigned director were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and other benefits	**2,911**	2,038
Contributions to retirement benefits scheme	**60**	42
	2,971	2,080

Their emoluments were within the following bands:

	2020 **No. of** **employees**	2019 No. of employees
Nil to HK$1,000,000	**4**	3

None of the five highest paid individuals have received any inducement to join or upon joining the Group or compensation for loss of office during the year ended 31 March 2020 (2019: nil).

14. DIVIDENDS

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

15. LOSS PER SHARE

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

	2020 **HK$'000**	2019 HK$'000
Loss:		
— Loss for the year attributable to the owners of the Company	**(13,722)**	(34,507)
Number of shares		
— Weighted average number of ordinary shares for the purpose of basic loss per share	**933,750,000**	933,750,000

Diluted loss per share

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

16. PLANT AND EQUIPMENT

	Machineries and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Total HK$'000
COST					
At 1 April 2018	48,609	7,939	169	169	56,886
Additions	20,264	2,000	–	7	22,271
Disposals	(1,390)	–	–	–	(1,390)
At 31 March 2019	67,483	9,939	169	176	77,767
Impact on initial adoption of HKFRS 16 *(Note 2.1)*	(7,100)	(2,854)	–	–	(9,954)
At 1 April 2019	60,383	7,085	169	176	67,813
Additions	11,036	2,971	1,230	36	15,273
Disposals	(320)	(805)	–	–	(1,125)
At 31 March 2020	71,099	9,251	1,399	212	81,961
ACCUMULATED DEPRECIATION					
At 1 April 2018	28,411	3,438	105	30	31,984
Charge for the year	10,283	1,684	64	34	12,065
Eliminated on disposals	(347)	–	–	–	(347)
At 31 March 2019	38,347	5,122	169	64	43,702
Impact on initial adoption of HKFRS 16 *(Note 2.1)*	(3,575)	(1,076)	–	–	(4,651)
At 1 April 2019	34,772	4,046	169	64	39,051
Charge for the year	9,395	1,408	307	40	11,150
Eliminated on disposals	(303)	(572)	–	–	(875)
At 31 March 2020	43,864	4,882	476	104	49,326
CARRYING VALUES					
At 31 March 2020	27,235	4,369	923	108	32,635
At 31 March 2019	29,136	4,817	–	112	34,065

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16. PLANT AND EQUIPMENT (Continued)

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

Machineries and equipment	20% per annum
Motor vehicles	20% per annum
Leasehold improvement	Over the shorter of lease term or 3 years
Computer equipment	20% per annum

The carrying values of plant and equipment held under finance leases were as follows:

	2019 HK$'000
Machineries and equipment	3,525
Motor vehicles	1,778
	5,303

17. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 April 2018	6,930
Increase in fair value recognised in profit or loss	670
At 31 March 2019 and 1 April 2019	7,600
Decrease in fair value recognised in profit or loss	(300)
As at 31 March 2020	7,300

The Group's property interest held under operating lease to earn rentals or for capital appreciation purposes is measured using the fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment property as at 31 March 2020 and 31 March 2019 have been arrived at on the basis of a valuation carried out on that date by Ascent Partners Valuation Service Limited, independent qualified professional valuers not connected with the Group. Ascent Partners Valuation Service Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. Details of valuation techniques and assumptions are discussed below. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is its current use.

17. INVESTMENT PROPERTY (Continued)

The Group's investment property has been pledged to secure banking facilities granted to the Group.

An analysis of the Group's investment property that is measured subsequent to initial recognition at fair value grouped into fair value hierarchy level 2 based on the degree to which the inputs to fair value measurement is observable and the information about how the fair value is determined (in particular, the valuation technique and key inputs used) as follows:

	Fair value hierarchy	Fair value as at 31 March 2020	Fair value as at 31 March 2019	Valuation technique and key inputs
Investment Property	Level 2	**HK$7,300,000**	HK$7,600,000	Market Comparison Approach – by reference to recent selling price of comparable properties on a price per square feet basis using market data which is publicly available and adjust to reflect the conditions and locations of the property.

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	31/3/2020 HK$'000	1/4/2019 HK$'000
Premises	**1,005**	–
Motor vehicles	**1,260**	1,778
Machineries	**2,105**	3,525
	4,370	5,303

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised right-of-use assets of approximately HK$5,303,000, in respect of the motor vehicles of approximately HK$1,778,000 and the machineries of approximately HK$3,525,000 (Note 2.1).

The Group has lease arrangement for premises. The lease term is generally over the lease term or 3 years.

Additions to the right-of-use assets for the year ended 31 March 2020 amounted to HK$1,340,000, due to new lease of premises.

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(ii) Lease liabilities

	31/3/2020 HK$'000	1/4/2019 HK$'000
Non-current	686	1,290
Current	1,626	2,482
	2,312	3,772

Amounts payable under lease liabilities	2020 HK$'000
Within one year	1,626
After one year but within two years	567
After two years but within five years	119
	2,312

For the year ended 31 March 2020, the Group entered into a new lease agreement for office premises and recognised lease liabilities of approximately HK$1,340,000.

As at 31 March 2020, the lease liabilities in respect of leased motor vehicles and machineries under hire purchase agreements amounted to approximately HK$721,000 and HK$568,000 respectively was secured by the lessor's title to the leased assets.

(iii) Amounts recognised in profit and loss

	2020 HK$
Depreciation on right-of-use assets	
— Premises	335
— Machineries	1,420
— Motor vehicles	518
Interest expense on lease liabilities	148
Expense relating to short-term leases	91

(iv) Others

For the year ended 31 March 2020, the total cash outflow for leases amount to approximately HK$3,039,000.

For the year ended 31 March 2020

19. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts *(note a)*	**70,797**	89,696
Retention receivables of construction contracts *(note b)*	**27,613**	22,464
Loss allowance	**(1,024)**	–
Total contract assets	**97,386**	112,160

Notes:

(a) 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 the Group obtains the certification of the completed construction work from the customers. The balance of unbilled revenue of construction contracts is expected to be recovered within one year.

(b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. Included in retention receivables of construction contracts of HK$1,673,000 (2019: HK$1,879,000) is expected to be recovered after more than one year.

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

For contract assets, the Group has applied the simplified approach permitted by HKFRS 9 to measure the allowance for credit losses at lifetime ECL. The contract assets are assessed for ECL by using the provision matrix similar with the approach of trade receivables.

19. CONTRACT ASSETS (Continued)

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL. The expected credit losses on contract assets are estimated using a provision matrix by reference to historical credit loss experience, adjusted for factors that are specific to the retention receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate, at the reporting date.

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

As at 31 March 2020, the Group recognised lifetime ECL for retention receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	2020 **HK$'000**	2019 HK$'000
At the beginning of the year	**–**	–
Increase during the year	**1,024**	–
At the end of the year	**1,024**	–

During the year ended 31 March 2020, the change in loss allowance on contract assets was due to the increase in expected loss rate of the contract assets.

As at 31 March 2020, the expected credit losses on contract assets are estimated collectively by using a provision matrix.

After the assessment by the directors of the Company, the allowance for ECL on contract assets are insignificant to the Group as at 31 March 2019.

20. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Receivables at amortised cost comprise:		
Trade receivables *(Note)*	8,553	13,105
Loss allowance	(343)	(339)
	8,210	12,766
Other receivables	254	879
Prepayments and deposits	346	1,090
	8,810	14,735

Note: As at 31 March 2020, amount of approximately HK$3,994,000 (2019:HK$9,680,000) included in the trade receivables arose from the provision of foundation and site formation works in accordance with HKFRS 15.

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 15 to 75 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0 to 30 days	4,018	11,613
31 to 60 days	3,478	872
61 to 180 days	413	281
181 to 365 days	301	–
	8,210	12,766

20. TRADE AND OTHER RECEIVABLES (Continued)

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate, at the reporting date.

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

	2020 **HK$'000**	2019 HK$'000
At the beginning of the year	**339**	–
Increase during the year	**4**	339
At the end of the year	**343**	339

As at 31 March 2020 and 2019, the expected credit losses on trade receivables are estimated collectively by using a provision matrix.

For deposits and other receivables, the Group measures the loss allowance at an amount equal to 12-month ECL since the credit risk is considered to be low and there is no significant increase in credit risk during the year. The loss allowance is insignificant to the Group as at 31 March 2020 and 2019.

21. RESTRICTED BANK DEPOSITS AND BANK BALANCES

The restricted bank deposits represented cash set aside by the Group in banks designated as surety bonds in favour of customers for due performance of the Group's obligations under a construction contract which is expected to be completed within one year. The balances are therefore classified as current assets. The amount will be released upon the completion of the respective construction project.

Restricted bank deposits carry interest at fixed interest rate of 1.6% per annum (2019: 1.6% per annum) for the year ended 31 March 2020.

Bank balances carry interest at prevailing market rates of approximately 0.001% per annum (2019: 0.001% per annum) for the year ended 31 March 2020.

22. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	13,586	24,296
Retention payables	12,728	8,574
Accrued expenses and other payables	6,888	9,238
	33,202	42,108

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 45 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	13,586	24,296

23. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Secured	1,883	2,025

23. BANK BORROWINGS (Continued)

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

	2020 **HK$'000**	2019 HK$'000
Within one year	**147**	142
More than one year but not exceeding two years	**150**	146
More than two years but not exceeding five years	**475**	461
More than five years	**1,111**	1,276
	1,883	2,025
Carrying amount of bank borrowings that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause	**1,736**	1,883
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	**147**	142
	1,883	2,025
Amounts shown under current liabilities	**(1,883)**	(2,025)
Amounts shown under non-current liabilities	**–**	–

Notes:

(a) As at 31 March 2020, bank borrowings of approximately HK$1,883,000 (2019: HK$2,025,000) carried at floating interest rates of 2.5% below the Prime rate (2019: 2.5% below the Prime rate). The effective interest rate of floating rate bank borrowings during the year ended 31 March 2020 was 2.7% (2019: 2.6%) per annum.

(b) As at 31 March 2020 and 2019, the banking facilities of the Group were fully utilised.

(c) As at 31 March 2020 and 2019, the banking facilities of the Group were secured by the mortgage charge over the investment property of the Group.

For the year ended 31 March 2020

24. OBLIGATIONS UNDER FINANCE LEASES

	2019 HK$'000
Analysed for reporting purposes as:	
Current liabilities	2,482
Non-current liabilities	1,290
	3,772

It is the Group's policy to lease certain of its machineries and motor vehicle under finance leases. The average lease term ranged from 3 to 5 years. The obligations under finance leases carried interest at a fixed rate from 1.7% to 2.5% per annum during the year ended 31 March 2019.

	Minimum lease payments 2019 HK$'000	**Present value of minimum lease payments** 2019 HK$'000
Amounts payable under finance leases		
Within one year	2,588	2,482
More than one year but less than two years	1,206	1,185
More than two years but less than five years	105	105
	3,899	3,772
Less: future finance charges	(127)	N/A
Present value of obligations under finance leases	3,772	
Less: amount due for settlement within 12 months (shown under current liabilities)		(2,482)
Amount due for settlement after 12 months		1,290

24. OBLIGATIONS UNDER FINANCE LEASES (Continued)

During the year ended 31 March 2019, the Group lease certain motor vehicle with the aggregate amount of approximately HK$1,800,000 with the lease period 3 years. The fixed rate inherent in the lease is 1.7% per annum.

During the year ended 31 March 2019, the Group entered into a finance lease agreement pursuant to which finance leasing suppliers purchased the machineries from the Group at approximately HK$3,850,000 and the Group leased back these machineries with the lease period of 3 years on the date of inception. The fixed interest rate inherent in the lease is 4.8% per annum.

All obligations under finance leases are denominated in HK$. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (see note 18).

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as obligations under finance leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases and disclosed in note 18. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as obligations under finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2.1.

25. DEFERRED TAXATION

Deferred tax liabilities arising from accelerated tax depreciation recognised by the Group and movements thereon during the current and prior years were as follows:

	Accelerated tax depreciation HK$'000
At 1 April 2018	(1,598)
Charged to profit or loss *(note 10)*	(1,202)
At 31 March 2019 and 1 April 2019	(2,800)
Charged to profit or loss *(note 10)*	(157)
At 31 March 2020	(2,957)

At 31 March 2020, the Group has approximately HK$52,002,000 unused tax losses available for offset against future profits (2019: HK$40,985,000). No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 31 March 2020, the Group has deductible temporary differences of approximately HK$2,787,000 (2019: HK$1,866,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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26. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	**2020** HK$'000	2019 HK$'000
Ordinary shares of HK$0.01 each				
Authorised				
At 31 March 2019, 1 April 2019 and 31 March 2020	**2,000,000,000**	2,000,000,000	**20,000**	20,000
Issued and fully paid				
At 31 March 2019, 1 April 2019 and 31 March 2020	**933,750,000**	933,750,000	**9,338**	9,338

Note:

All shares issued rank pari passu with all the existing shares in all respects.

27. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The total cost charged to profit or loss of approximately HK$2,316,000 (2019: HK$2,883,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting period.

For the year ended 31 March 2020

28. OPERATING LEASE COMMITMENTS

The Group as lessee

As 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	20

Operating lease payments represents rentals payable by the Group for its office premises and warehouse. Leases are negotiated and rentals are fixed for 1 year.

The Group as lessor

The Group has engaged in the machinery leasing activities under operating leases. As all the leases were short-term leases, no operating lease commitments in respect of machineries as at 31 March 2020 and 2019.

The Group leases out investment property under operating leases. The investment property is expected to generate rental yield of 4% (2019: 4%) on an ongoing basis. The leases typically run for an initial period of one year. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 **HK$'000**
Within one year	**76**

As at 31 March 2019, the Group had contracted with tenant for the following future minimum lease payments:

	2019 HK$'000
Within one year	19

29. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

(a) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 March 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Short-term benefits	**3,584**	3,368
Post-employment benefits	**90**	93
	3,674	3,461

The remuneration of the directors of the Company and key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

(b) Other related party transaction

The director of the Company has beneficial interest in Famous Smart International (HK) Limited ("**Famous Smart**"). The below transaction was at term determined and agreed by the Company and the relevant party.

During the year ended 31 March 2020, the Group entered into a three-year lease in respect of office premise from Famous Smart. The amount of rent payable by the Group under the lease is HK$40,000 per month. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of approximately HK$1,340,000. As at 31 March 2020, the carrying amount of such lease liabilities is approximately HK$1,023,000. During the year ended 31 March 2020, the Group has made lease payment of HK$360,000 to Famous Smart.

30. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2020, the Group entered into a new lease agreement for office premise and recognised right-of-use assets and lease liabilities of approximately HK$1,340,000 (2019: nil).

(b) During the year ended 31 March 2019, the Group entered into finance lease arrangements in respect of certain motor vehicle with a total capital value at the inception of the leases of approximately HK$1,800,000 (2020: nil).

(c) During the year ended 31 March 2019, amount of approximately HK$2,222,000 (2020: nil) purchase of the plant and equipment were settled by the deposits paid for acquisition of plant and equipment.

31. CONTINGENT LIABILITIES

At 31 March 2020 and 2019, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and civil litigation.

In the opinion of the directors of the Company, the litigations and potential claims are not expected to have a material impact on the consolidated financial statements. Accordingly, no provision has been made to the consolidated financial statements (2019: nil).

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to written resolution of the Company passed on 21 September 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 October 2027. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The Company may not grant any options if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes exceeds 30% of the shares in issue from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The option will be offered for acceptance for a period of not less than five trading days from the date on which the option is granted. Upon acceptance of the option, directors and eligible employees shall pay HK$1.00 to the Company by way of consideration for the grant. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme on 21 September 2017, and there is no outstanding share option as at 31 March 2020 and 2019.

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

	Notes	**2020 HK$'000**	2019 HK$'000
Non-current asset			
Investments in subsidiaries	*34*	**159,180**	74,778
Current assets			
Trade and other receivables		**51**	31
Amounts due from subsidiaries		**–**	89,102
Bank balances		**1,204**	8,924
		1,255	98,057
Current liability			
Trade and other payables		**1,145**	1,300
Net current assets		**110**	96,757
Total assets less current liabilities		**159,290**	171,535
Capital and reserves			
Share capital	*26*	**9,338**	9,338
Reserves	*(a)*	**149,952**	162,197
		159,290	171,535

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

Note (a):

Movements in reserves

	Share Premium HK$'000	**Other reserve** HK$'000 *(Note)*	**Accumulated losses** HK$'000	**Total** HK$'000
At 31 March 2018 and 1 April 2018	115,593	74,778	(24,189)	166,182
Loss and total comprehensive expense for the year	–	–	(3,985)	(3,985)
At 31 March 2019 and 1 April 2019	115,593	74,778	(28,174)	162,197
Loss and total comprehensive expense for the year	–	–	(12,245)	(12,245)
At 31 March 2020	115,593	74,778	(40,419)	149,952

Note: Other reserve represents the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company at the date of acquisition.

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of company	Place of incorporation or operations	Issued and fully paid ordinary share capital		Percentage of equity interest/voting power held by the Company				Principal activities
		2020	2019	2020		2019		
				Direct	Indirect	Direct	Indirect	
Infinite Merit Global Limited	the BVI	United States Dollars ("US$") $10 *(note (a))*	US$5	100%	-	100%	–	Investment holding
Novel Sign Investment Limited	the BVI	US$1	US$1	-	100%	–	100%	Investment holding
Harvest Year Ventures Limited	the BVI	US$1	US$1	-	100%	–	100%	Investment holding
Glory Ease Ventures Limited	the BVI	US$1	US$1	-	100%	–	100%	Investment holding
Billion Talent Enterprises Limited	the BVI	US$1	US$1	-	100%	–	100%	Investment holding
Crystal Future Global Limited	the BVI	US$1	US$1	-	100%	–	100%	Investment holding
Lik Shing Engineering Company Limited	Hong Kong	HK$10,000	HK$10,000	-	100%	–	100%	Provision of foundation and site formation work and machineries leasing
Lik Shing Construction Company Limited	Hong Kong	HK$1	HK$1	-	100%	–	100%	Provision of machineries leasing
Lik Shing Construction Engineering Limited	Hong Kong	HK$1	HK$1	-	100%	–	100%	Provision of repairing service and vehicle rental service

Note:

(a) The Company has capitalised the loan to Infinite Merit Global Limited as shareholder's contribution for the sum of approximately HK$93,022,000 in the consideration of Infinite Merit Global Limited to allot and issue 5 shares to the Company with par value of US$1 each, all shares issued ranking pari passu in all respects with the existing issued shares as at 31 March 2020.

(b) None of the subsidiaries had any debt securities outstanding as at the end of the reporting period or at any time during the reporting period.

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35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

			Non-cash changes		
	1 April 2019 HK$'000	Financing cash flows HK$'000	Finance costs incurred *(note 9)* HK$'000	New lease recognised *(note 18)* HK$'000	**31 March 2020 HK$'000**
Liabilities					
Bank borrowings *(note 23)*	2,025	(193)	51	–	**1,883**
Lease liabilities *(note 18)*	3,772	(2,948)	148	1,340	**2,312**
	5,797	(3,141)	199	1,340	**4,195**

			Non-cash changes		
	1 April 2018 HK$'000	Financing cash flows HK$'000	Finance costs incurred *(note 9)* HK$'000	New finance lease arrangement *(note 30b)* HK$'000	31 March 2019 HK$'000
Liabilities					
Bank borrowings *(note 23)*	2,461	(495)	59	–	2,025
Obligations under finance leases *(note 24)*	4,322	(2,555)	205	1,800	3,772
	6,783	(3,050)	264	1,800	5,797

36. PLEDGE OF ASSETS

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

	2020 HK$'000	2019 HK$'000
Right-of-use assets *(note 18)*	**3,365**	–
Plant and equipment *(note 16)*	**–**	5,303
Investment property *(note 17)*	**7,300**	7,600
	10,665	12,903

FIVE YEAR FINANCIAL SUMMARY

The financial summary of the Group for the last five year is set as follows:

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**326,498**	392,539	535,507	380,657	349,021
Cost of sales	**(319,227)**	(404,921)	(481,009)	(334,315)	(313,253)
Gross profit (loss)	**7,271**	(12,382)	54,498	46,342	35,768
Other income and gains	**697**	1,251	1,409	1,704	1,138
Administrative expenses	**(21,141)**	(21,190)	(38,199)	(17,655)	(10,528)
Finance costs	**(199)**	(264)	(554)	(847)	(879)
(Loss) profit before taxation	**(13,372)**	(32,585)	17,154	29,544	25,499
Income tax expense	**(350)**	(1,922)	(5,165)	(6,161)	(4,194)
(Loss) profit and total comprehensive (expense) income for the year	**(13,722)**	(34,507)	11,989	23,383	21,305
(Loss) earnings per share:					
Basic and diluted	**(1.5) cents**	(3.7) cents	1.5 cents	3.5 cents	3.2 cents

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Non-current assets	**44,305**	41,665	34,054	30,214	22,572
Current assets	**155,339**	182,467	226,610	87,993	70,417
Non-current liabilities	**3,643**	4,090	4,052	2,644	2,812
Current liabilities	**36,711**	47,030	49,093	44,964	42,961
Total equity	**159,290**	173,012	207,519	70,599	47,216

Note: The summary of the consolidated results of the Group for each of the years ended 31 March 2016 and 2017 and of the consolidated assets and liabilities of the Group as at 31 March 2016 and 2017 has been extracted from the prospectus issued on 30 September 2017 in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 20 October 2017.