ANNUAL REPORT 2019-2020

VICON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3878

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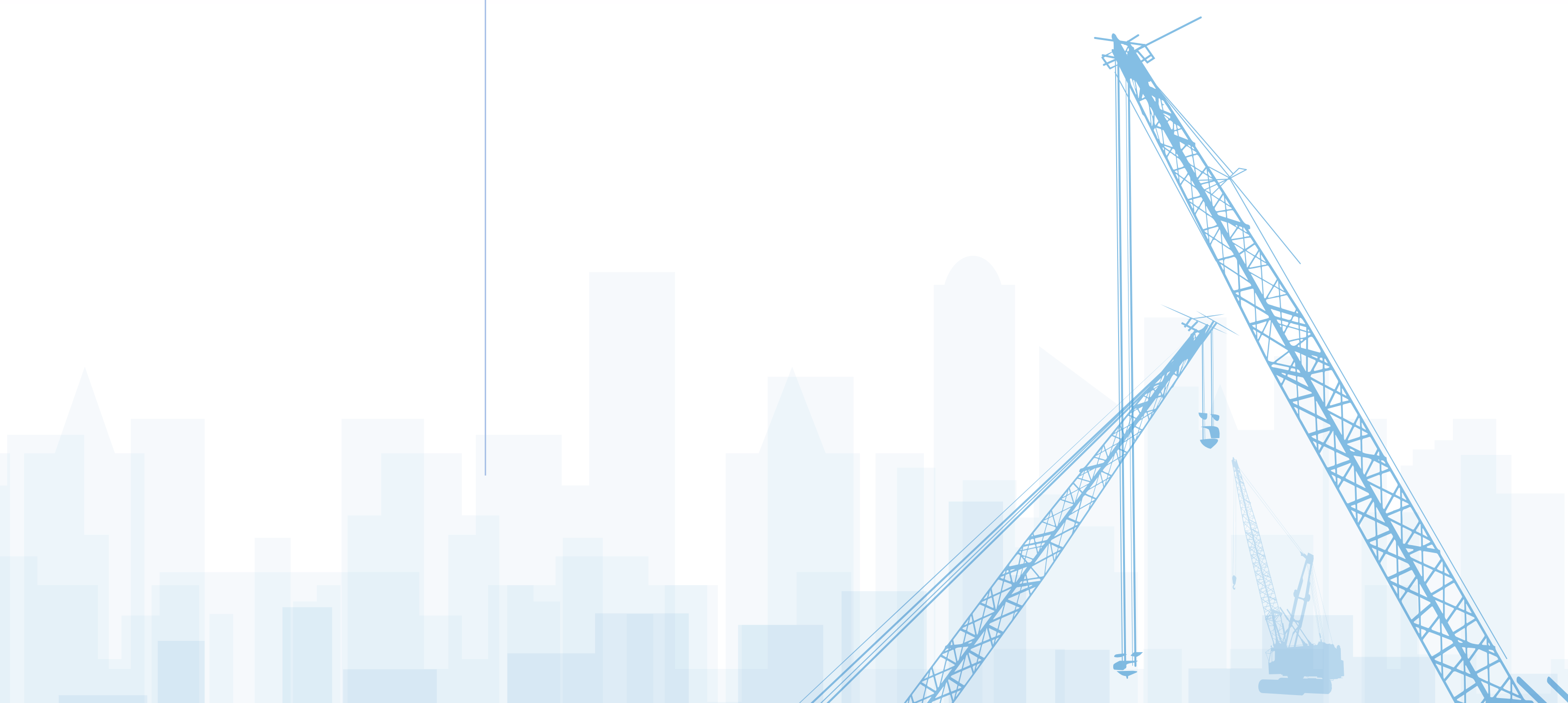

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chow Kwok Chun *(Chairman)*
Mr. Tsang Hing Kuen *(Chief Executive Officer)*
Mr. Leung Kim Lim
Mr. Liu Jin Fai

Independent Non-executive Directors

Mr. Ip Ka Ki
Professor Kuang Jun Shang
Mr. Tse Ka Ching Justin *(appointed on 30 May 2019)*
Mr. Law Wang Chak Waltery *(resigned on 30 May 2019)*

BOARD COMMITTEES

Audit Committee

Mr. Tse Ka Ching Justin *(Chairman)*
Mr. Ip Ka Ki
Professor Kuang Jun Shang

Nomination Committee

Mr. Chow Kwok Chun *(Chairman)*
Mr. Ip Ka Ki
Mr. Tse Ka Ching Justin

Remuneration Committee

Mr. Ip Ka Ki *(Chairman)*
Mr. Chow Kwok Chun
Professor Kuang Jun Shang

COMPANY SECRETARY

Mr. Leung Cheuk Hei *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. Chow Kwok Chun
Mr. Leung Cheuk Hei

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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111 King Lam Street
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Cayman Islands

PRINCIPAL SHARE REGISTRAR

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Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

CFN Lawyers
Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre
30 Harbour Road, Wan Chai
Hong Kong

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
CMB Wing Lung Bank Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F
Prince's Building
Central
Hong Kong

COMPANY'S WEBSITE

www.vicon.com.hk

STOCK CODE

3878

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Vicon Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020 (the "**Year**" or "**FY2020**").

The Group is a Hong Kong-based specialist foundation contractor and focuses on design-and-build foundation projects in the Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works, pile cap construction and general buildings works in Hong Kong and Macau.

During the Year, our revenue increased by approximately HK$97.8 million, or 26.4%, from approximately HK$370.4 million for the year ended 31 March 2019 ("**Last Year**" or "**FY2019**") to approximately HK$468.2 million for the Year. The Group recorded a profit for the Year of approximately HK$23.7 million as compared to the profit for the Last Year of the Group of approximately HK$29.2 million, representing a decrease of approximately HK$5.5 million.

The construction market in Hong Kong remained under pressure and continued to be weak and highly competitive in FY2020 with a reduction in the number of foundation contracts in both the public and private sectors under the uncertainties arising from COVID-19 and outlook of the macroeconomy. In the coming year, we consider the construction market in Hong Kong will remain highly competitive. The rising competition from our competitors could affect our tender prices and therefore the contract award prices for projects. We are mindful not to reduce our profit margin without considering the negative impact to our shareholders' interests. To maintain our competitive edge, we will continue to focus on "design and build" projects and deploy our expertise in foundation design and project management to meet the requirements of future potential projects.

Looking ahead, the Board will strive for the best for the Group. Our management will be closely monitoring the foundation industry and will continuously adjust our operation strategy to maximise shareholders' return.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, subcontractors, suppliers, 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 contribution during the Year.

Chow Kwok Chun
Chairman

Hong Kong, 26 June 2020

BUSINESS AND FINANCIAL REVIEW

The Group is a specialist foundation contractor and focuses on design-and-build foundation projects in the Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction in Hong Kong and Macau. The Group also engages in the provision of construction services including general building works.

For FY2020, the Group recorded revenue of approximately HK$468.2 million as compared to revenue of HK$370.4 million for FY2019, which represented an increase of approximately HK$97.8 million or 26.4%.

Revenue contributed from projects which we were acting as main contractor has increased from approximately 72% of our total revenue in FY2019 to approximately 98% of our total revenue in FY2020.

The amount of backlog revenue as at 31 March 2020 was approximately HK$280.1 million (31 March 2019: HK$374.0 million).

Foundation Works and Ancillary Services

Foundation works mainly include mini-piling, percussive piling, rock socketed in steel H-pile and bored pile, together with pile cap. Ancillary services mainly include site formation and demolition works which covers clearance of the site, excavation, demolition of a building or any substantial part of a building.

During FY2020, there were 13 projects (FY2019: 20 projects) contributing revenue of approximately HK$468.2 million (FY2019: HK$343.4 million) to the Group. Despite the number of projects contributing revenue to the Group in FY2020 was lower than that in FY2019, revenue was higher due to a number of sizable projects which were in the mature stages of construction, which contributed a large portion of their contract values to the revenue in FY2020.

General Buildings Works

General building works mainly include structural alteration and addition works, development of superstructures such as entire dwelling, office buildings, stores, public utility buildings, farm buildings, etc.

For FY2020, there was nil (FY2019: one) general building works project contributing revenue (FY2019: HK$27.0 million) to this business segment.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the Group's operations, some of which are beyond the Group's control. The Directors believe the more significant risks relating to the business are as follows:

– Our business is project-based and the contracts are not recurrent in nature and were awarded by a few customers, and any decrease in the number of projects with the Group's major customers would adversely affect the Group's business, financial conditions and operating results;

– As the Group engages third party subcontractors to perform certain parts of the works under our contracts, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the Group's subcontractors; and

– The Group determines the tender price based on the estimated time and costs to be involved in a project pursuant to our industry experience and with reference to a number of factors and the actual time and costs incurred may deviate from our estimate due to unexpected circumstances.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in the prospectus of the Company dated 12 December 2017 (the "**Prospectus**").

Revenue

Our revenue increased by approximately HK$97.8 million, or 26.4%, from approximately HK$370.4 million for FY2019 to approximately HK$468.2 million for FY2020.

Gross profit and gross profit margin

Our gross profit for FY2020 was approximately HK$49.1 million, while our gross profit for FY2019 was approximately HK$50.1 million. Our gross profit margin decreased from 13.5% for FY2019 to 10.5% for FY2020 due to fierce competition in the market.

Other income, net

Our other income, net increased by approximately HK$3.2 million from approximately HK$6.7 million for FY2019 to approximately HK$9.9 million for FY2020, which was mainly attributable to the increase of approximately HK$9.6 million from the rental income from machinery and equipment from approximately HK0.5 million for FY2019 to approximately HK$10.1 million for FY2020, partially offset by i) the decrease in consultancy income of approximately HK$2.9 million from approximately HK$3.1 million for FY2019 to approximately HK$0.2 million for FY2020; ii) decrease in gains on disposal of machinery and equipment of approximately HK$1.8 million from approximately HK$2.9 million for FY2019 to approximately HK$1.1 million for FY2020; and iii) changes in cash surrender values of key management life insurance contract of approximately HK$1.7 million (FY2019: nil).

Impairment losses on contract assets

Our impairment losses on contract assets represents a provision for impairment loss allowance amounting to approximately HK$8.0 million for FY2020 (FY2019: HK$4.9 million) made based on the management's latest assessment of risk of default in the Group's financial assets during the year.

Other administrative expenses

Our other administrative expenses increased by approximately HK$3.7 million, or approximately 35.2%, from approximately HK$10.5 million for FY2019 to approximately HK$14.2 million for FY2020. The increase in other administrative expenses was mainly due to the increase in the depreciation arising from the machinery rented out.

Finance costs, net

Our finance costs, net increased by approximately HK$2.1 million, or 31.3%, from approximately HK$6.7 million for FY2019 to approximately HK$8.8 million for FY2020. Such increase was mainly due to the increase in the balance of borrowings to finance the increased scale of business operation, as the proportion of revenue contributed from projects which we were acting as main contractors increased from approximately 72% of our total revenue in FY2019 to approximately 98% of our total revenue in FY2020.

Income tax expense

Our income tax expense decreased by approximately HK$1.1 million, from approximately HK$5.4 million for FY2019 to approximately HK$4.3 million for FY2020 due to the combined effect of the above factors. The effective tax rate for FY2020 was approximately 15.3%, which remained stable as compared to that of approximately 15.7% for FY2019.

Profit and total comprehensive income attributable to equity holders of the Company

Based on the above factors, profit and total comprehensive income attributable to equity holders of the Company decreased by approximately HK$5.5 million, or approximately 18.8%, from approximately HK$29.2 million for FY2019 to approximately HK$23.7 million for FY2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating activities.

As at 31 March 2020, the capital structure of the Group consisted of equity of approximately HK$312.5 million (2019: HK$288.8 million), bank borrowings of approximately HK$108.0 million (2019: HK$138.1 million including finance lease of machinery and equipment of HK$43.6 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Cash position and fund available

During the year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and bank borrowings.

As at 31 March 2020, our cash and cash equivalents were approximately HK$19.4 million (2019: HK$16.5 million). The Group also had restricted bank balances of approximately HK$3.2 million (2019: HK$4.9 million) deposited for a bank to issue surety bonds in respect of our foundation projects.

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

Bank borrowings

The Group generally meets its working capital requirement by cash flows generated from its operation and borrowings. The maturity and interest rate profile of the Group's borrowings are set out below.

(a) The maturity of borrowings is as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	104,984	88,593
Between 1 and 2 years	3,033	2,844
Between 2 and 5 years	–	3,033
	108,017	94,470

(b) Finance lease liabilities were included in borrowings until 31 March 2019, and were reclassified to lease liabilities on 1 April 2019 upon adoption of the new leasing standard. See Note 2.1(c) of the consolidated financial statements for further information about the change in the accounting policy for leases.

The minimum lease payments, lease liability and the future payment thereof as at 31 March 2019, relating to the aforementioned finance leases and expressed in terms of their net present value, are set out in the following table:

	2019 **HK$'000**
Commitments in relation to the finance lease are payable as follow:	
Within one year	13,013
Later than one year but no later than five years	36,678
Minimum lease payment	49,691
Future finance charges	(6,103)
Total lease liabilities	43,588
The present value of the finance lease liability is as follow:	
Within one year	10,552
Later than one year but no later than five years	33,036
Minimum lease payment	43,588

The weighted average interest rates were as follows:

	2020	**2019**
Long-term bank loans	3.50%	3.50%
Short-term bank loans	3.86%	3.88%

GEARING RATIO

As at 31 March 2020, the Group's gearing ratio was approximately 34.6% (2019: 47.8%), calculated as the total borrowings divided by the total equity as at the end of the respective years and multiplied by 100%.

NET CURRENT ASSETS

As at 31 March 2020, the Group had net current assets of approximately HK$198.7 million (2019: HK$192.0 million). The increase in net current assets position was mainly attributable to the net profit generated from the Group's operations during the Year.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

CAPITAL EXPENDITURES

The Group's capital expenditures for the Year amounted to approximately HK$47.1 million (2019: HK$61.0 million), which was incurred due to the purchase of machinery and equipment.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the year ended 31 March 2020. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

USE OF NET PROCEEDS FROM LISTING

Based on the Offer Price of HK$1.20 per share, the net proceeds of the Share Offer received by the Company was approximately HK$82.7 million, after deducting the listing expenses borne by the Company. The proposed application of net proceeds as stated in the Prospectus has been allocated according to the principles and proposed percentage of utilisation as specified in the section headed "Reasons for the listing, future plans and proposed use of net proceeds from the share offer" in the Prospectus.

During the year ended 31 March 2020, the net proceeds were used as follows:

	Net proceeds from Share Offer HK$'million	Actual usage up to 31 March 2020 HK$'million	Unutilised amount HK$'million
Take out of surety bond	34.0	34.0	–
Purchase of machinery	17.4	17.4	–
Repayment of bank loan	14.0	14.0	–
Strengthen of design team (Note 1)	8.5	1.8	6.7
Purchase of software (Note 2)	0.5	0.1	0.4
General working capital	8.3	8.3	–
	82.7	75.6	7.1

Note 1:

As at 31 March 2020, the Group has hired an assistant quantity surveyor, an engineer and an assistant project manager to strengthen our in-house design team. The Group was in the process of identifying further suitable candidates for our in-house design team as the Group was in search for candidates with the necessary qualifications and experience to cope with the development of the Group.

Note 2:

As at 31 March 2020, the Group has purchased several licenses for engineering software programs and the Group expects to purchase additional licenses upon the recruitment of new members of our in-house design team.

As at 31 March 2020, the actual use of net proceeds was less than estimated but had been applied in the same manner as specified in the section headed "Reasons for the listing, future plans and proposed use of net proceeds from the share offer" of the Prospectus. The net proceeds of approximately HK$7.1 million had not yet been utilised as at 31 March 2020 as planned, but is expected to be utilised by 31 March 2021. The Group will continue to apply the net proceeds from the listing in accordance with the allocation set out in the Prospectus.

The Group held the unutilised net proceeds mainly in short-term deposits with licensed banks in Hong Kong.

The expected timeline for utilising the remaining unutilised net proceeds is based on the best estimations of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK$60.4 million (2019: HK$52.4 million). The performance bonds as at 31 March 2020 were expected to be released in accordance with the terms of the respective construction contracts.

PLEDGE OF ASSETS

As at 31 March 2020, machinery and equipment with carrying amount of approximately HK$15.5 million (2019: HK$17.8 million) were pledged for the Group's bank borrowings.

As at 31 March 2020, banking facilities were granted to the Group in respect of the specific projects, with an aggregate amount of approximately HK$119.9 million (2019: HK$74.3 million) were guaranteed by (i) the Company; and (ii) charge over the Group's trade receivables with an aggregate amount of approximately HK$nil (2019: HK$11.4 million), of which approximately HK$40.6 million (2019: HK$3.4 million) of the banking facilities had not yet been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects as specified in the relevant facility letters.

As at 31 March 2020, a bank borrowing granted to the Group in respect of the key management insurance contract, with an amount of approximately HK$7.8 million (2019: nil) were guaranteed by (i) the Company; and (ii) charge over the Group's key management insurance contract with cash surrender value of approximately HK$7.0 million.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any capital commitments contracted but not provided for.

Segment Information

The Group principally operated in one business segment, which is the foundation contractors in the foundation and site formation industry.

Employees, Training and Remuneration Policy

As at 31 March 2020, the Group had a total of 51 employees (2019: 74). Total staff costs (including Directors' emoluments and mandatory provident funds contributions) for the Year were approximately HK$43.3 million (2019: HK$42.5 million). The remuneration offered to employees generally includes salaries, medical benefits and bonuses. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Company adopted a share option scheme under which the Board may grant options to the employees. The Group provides training to its employees according to the work requirements.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2020.

Significant Investment held

The Group did not have any significant investment held as at 31 March 2020.

Future Plans for Material Investments or Capital Assets

The Group did not have other plans for material investments or capital assets as at 31 March 2020.

Events After The Reporting Period

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this annual report.

ABOUT THIS REPORT

Vicon Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), is pleased to present our Environmental, Social and Governance Report (the "**Report**") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

Preparation Basis and Scope

This Report is prepared in accordance with "Environmental, Social and Governance Reporting Guide" in Appendix 27 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and has complied with the "comply or explain" provisions in the Listing Rules.

This Report details the environmental, social and governance performance of the Group and demonstrates our sustainability initiatives during the reporting period from 1 April 2019 to 31 March 2020 (the "**reporting period**").

With the aim to improving the disclosure requirements in the Report, the Group has committed to formulate policies, record relevant data as well as implement and monitor measures. Should there be any discrepancy between the Chinese and the English versions of this Report, the English version shall prevail.

Confirmation and Approval

Information disclosed in this Report is sourced from the internal documents and statistical data of the Group. This Report has been confirmed and approved by the board (the "**Board**") of directors of the Company in June 2020.

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email at info@vicon.hk.

CORPORATE PROFILE

The Group is a Hong Kong-based specialist foundation contractor and focuses on design-and-build foundation projects in Hong Kong private sector. With strong experience in completing complicated foundation and engineering designs projects, we strive to provide the highest quality services to our customers. Under the leadership of the management, the Group has been successfully listed on the Main Board of the Stock Exchange on 22 December 2017.

To maintain competitiveness in the market and provide outstanding services to the customers, the Group places significant focus on the long-term sustainability. We are determined to comply with relevant regulations and rules as well as requirements from our stakeholders. Various policies and procedures are established to assist the management on monitoring the operation risks regarding the environment and society.

As at 31 March 2020, there were 5 subsidiaries directly or indirectly wholly owned by the Company. For the list of subsidiaries, please refer to Note 14 to the consolidated financial statements. Our major business operation are carried through the below 3 subsidiaries.

1. Vicon Construction Company Limited
2. Vicon Machinery Company Limited
3. Vicon Construction (Macau) Company Limited

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

To prepare for further development and business growth, the Group recognises the importance of intelligence gained from the stakeholders' insights, inquiries and continuous feedback on the Group's business activities. We maintain various channels with our stakeholders on relevant issues including the performances and challenges that we come across. The outcomes of these stakeholder engagement processes have been consistently applying to our continuous improvement activities.

Major Stakeholders	Issue of concerns	Engagement channels
Government	– Compliance with the laws and regulations – Promote regional economic development and employment	– Work reports preparation and submission for approval – Annual reports – Website
Shareholders and Investors	– Business performance – Corporate governance – Protection of interests of shareholders	– Annual general meeting and other shareholder meetings – Annual reports and announcements
Employees	– Health and safety – Labour rights – Comfortableness of the working environment – Career development path	– Trainings and orientation – Internal meetings and email communication – Corporate activities
Customers	– Quality of the services – Project management – Business ethics	– Business visits – Email communication and customer service hotline – Regular meetings
Public and communities	– Social responsibilities – Environmental awareness – Contribution to the communities	– Charity activities – Volunteer works

With these on-going dialogues, we obtain more understandings on the expectations and concerns from stakeholders. The Group believes it enhances our business management as well as decision making for the Group's long-term development.

The principle of materiality strengthens the Group's ESG reporting which means understanding the ESG issues that are important to the Group's business, informing the issue and key performance indicators (KPIs) to cover in the Report. The Group's approach to materiality in this Report is based on the best-practice recommendations of the ESG Reporting Guide and the GRI Guidelines.

We evaluated and analysed the importance of any changes in business environment, as well as overall sustainability challenges to the Group. As part of this exercise, internal and external stakeholders, including the public community, our employees, consumers, shareholders and investors, contributed their perspectives regarding ESG reporting and the broader ESG issues relevant to the Group. The assessment, through the following steps, also considered ESG issues relevant to the Group's industry and operation locations.

Step 1: Identification – Industry Benchmarking

- The Group identified relevant ESG issues based on the feedback from the stakeholders, sustainability indices and the ESG reports of the Group's industry peers.
- The materiality of each ESG issue was determined based on the frequency of its disclosure by selected peer companies.

Step 2: Prioritisation – Stakeholder Engagement

- Key stakeholders were engaged on ESG issues with impact on our Group.
- The Group asked the stakeholders on ranking each of the identified ESG issues according to their view of its importance to the operation and business development of the Group.

Step 3: Validation – Determining Material Issues

- Our management performed an all rounded review and finalised on the range of ESG issues being reported, so as to ensure the results of the materiality assessment properly reflected the importance of the issues to the Group's business development and long term sustainability.

As a result of the above assessment, the important issues to the Group were discussed in this Report.

ENVIRONMENTAL ASPECTS

As a registered specialist contractor, we recognise that we have an obligation to reduce the impact of our operations on the environment and be accountable for the resources and materials that we used in our daily foundation operations. We would place strong effort on protecting the environment by promoting the importance of the environmental protection to our employees, adopting the latest rules and standards relating to the environment and community, using environmental friendly products as well as encouraging the recycle and reuse of materials. Through continuously improving the environmental sustainability of our business, we believe there would be promising development and growth in the long run.

EMISSIONS

The Group is subject to various local environmental laws and regulations related to the operations. During the reporting period, the Group had no material non-compliance regarding environmental issues.

Air Pollutant Emission

Air pollutants such as nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and respiratory suspended particles ("**RSP**", also known as Particulate Matters ("**PM**")) bring significant impact to our environment and thus the health of our staff. To mitigate the impact, the Group has taken initiatives to formulate plans for the reduction of air pollutants.

Our air pollutants are mainly generated from the motor vehicles through consumption of fuels. We carry out regular quarterly or yearly vehicle maintenance, including replacement of any wear components and generator cleaning. Vehicle usage is well controlled by proper route planning and encouragement of using public transport. The increase in sulphur dioxide emission is due to the increase of usage of our own machinery with the increased proportion of projects in which we were acting as main contractors.

The air pollutant emission during the reporting period is as follows:

Air Pollutants	**Unit**	**2020 Total**	2019 Total
Nitrogen oxides (NO_x)	kg	9.11	8.72
Sulphur dioxide (SO_2)	kg	19.72	20.73
Particulate matters (PM)	kg	0.67	0.64

Greenhouse Gas ("GHG") Emission

Global warming is a serious environmental issue that our world is facing. The major sources of air and greenhouse gas (GHG) emissions we associated are energy consumptions, including the purchased electricity used in our daily operations and the fuels consumed by the motor vehicles and machinery. Our Group is taking different measures to minimise the GHG emissions. We have adopted energy saving initiatives that are mentioned in the section headed "Use of Resources" below. During the reporting period, the emission of GHG is as follows:

GHG Emission[1]	**Unit**	**2020 Total**	2019 Total
Scope 1[2]	tonnes of CO_2-e	3,209.02	3,373.09
Scope 2[3]	tonnes of CO_2-e	130.75	137.33
Total	tonnes of CO_2-e	3,339.77	3,510.42
Intensity	tonnes of CO_2-e/employee	65.49	47.43

The total GHG Emission remained stable as compared to last year.

1 The calculation of the GHG emission is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

2 Scope 1: Direct emission from sources that are owned or controlled by the Group.

3 Scope 2: Indirect emissions from purchased electricity consumed by the Group.

Hazardous and Non-hazardous Wastes

No hazardous wastes were produced during our operating process. In case any hazardous wastes are produced, we would have the wastes properly handled by the qualified contractor.

Non-hazardous wastes generated from the Group mainly include paper. We have adopted several environmental friendly practices, which include:

– Encouraging double-sided printing and photocopying; and

– Promoting the usage of e-documents for internal and external communication.

The amount of non-hazardous wastes produced from the Group is not significant. The Group has also put effort in recycling/reusing waste papers. The amount of the waste recycled during the reporting period is as follows:

Waste recycled/reused	**Unit**	**2020 Total**	2019 Total
Paper	kg	116	118

USE OF RESOURCES

The Group places high priority on the efficient use of resources. We have adopted a set of guidelines to improve the efficient use of energy and water.

Energy

The Group aims to promote resource saving and implement suitable energy saving measures in order to improve the energy saving performance and reduce resource consumption as much as possible. For example, we would proactively switch off any unnecessary electrical appliances, and make use of light-emitting diode ("**LED**") bulbs which give higher efficiency. During the reporting period, the energy consumptions are as follows:

Energy	**Unit**	**2020 Total**	2019 Total
Purchased electricity	kWh in '000s	176.85	199.63
Fuel	kWh in '000s	12,245.36	12,873.00
Total energy consumption	kWh in '000s	12,422.21	13,072.63
Intensity	kWh in '000s/employee	243.57	176.66

The total fuel energy consumption remained stable as compared to last year.

Water

Another resource that we have used for the daily operation is water. Though the amount of water that we use or discharge is not significant due to our business nature, for saving the use of water, the Group also promotes water saving practices among our staff. For example, we encourage our staff not to keep running water taps while cleaning any stuff in pantry. The water consumption during the reporting period is as follow:

Water	**Unit**	**2020 Total**	2019 Total
Water consumption	m^3	32,847	7,165
Intensity	m^3/employee	644.06	96.82

The increase in water consumption is mainly due to the increased proportion of projects in which we were acting as main contractors.

Packaging Material

As the Group's business is service focused, there were no significant amounts of packaging material used for finished products during the reporting period.

THE ENVIRONMENT AND NATURAL RESOURCES

As a registered specialist contractor, we recognise our impact on the environment in our daily project operations. To minimise the significant impact on the environment and natural resources, we are committed to carry out necessary measures mentioned in the sections headed "Emission" and "Use of Resources" in energy saving, emissions reduction and environmental protection. The Group would also promote environmental awareness amongst the customers, subcontractors, suppliers, business partners and other stakeholders aiming to mitigate the waste of resources as a whole.

SOCIAL ASPECTS

Employment and Labour Practices

Employment

The Group values our employees as an important and valuable asset; and competent employees is the foundation for the long term business success of the Group. We have carried out different policies to stipulate key human resources management practices in working hours, equal opportunities, recruitment, promotion, resignation and compensation benefits. The Group's recruitment and promotion policies have to be followed with the principle of equal opportunities. All employees are hired based on the merits and treated equally, regardless of their nationality, age, race, gender, religion and marital status, etc.

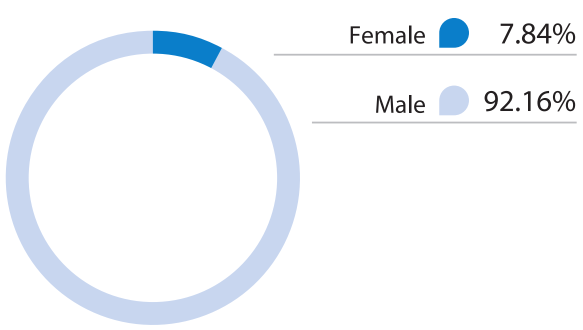
A tour of workplace and a formal introduction is provided to all the newly joined employees, aiming at sharing with them a better understanding of the Group. An employee handbook would also be provided to each of our employees for their understanding on the relevant policies and code of conduct of our Group.

The Group supports harmonious and work-life balance culture. Through organising annual dinner and employee gatherings during the reporting period, not only can the employees enjoy a relaxing moment, but also enhance their team spirit building and promote friendly working environment.

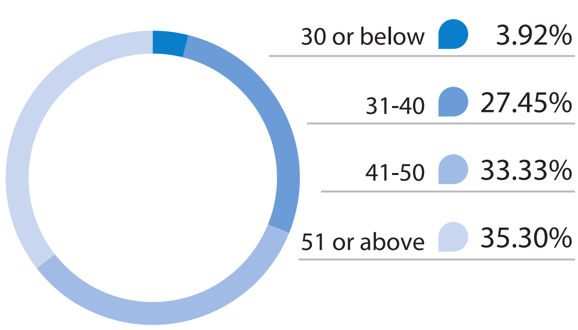
The adoption of these human resources policies and procedures also ensures the Group's compliance with the relevant labour laws and regulations where it operates, including the Employment Ordinance in Hong Kong. During the reporting period, we did not record material non-compliance incident relating to applicable employment laws and regulations.

At the end of the reporting period, the employee composition (in percentage of total staff) by gender, employee category and age group are as follows:

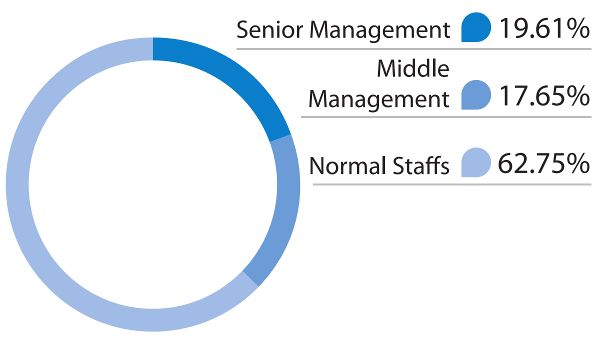
By Gender



By Age Group



By Employment Category



The employee turnover rates by gender and age group at the end of the reporting period are as follows:

Employment	Turnover rates (%) 2020	Turnover rates (%) 2019
By gender[4]		
– Male	**65.96**	24.32
– Female	**50.00**	62.50
By age group[5]		
– 30 years old or below	**100.00**	80.00
– 31-40 years old	**42.86**	22.73
– 41-50 years old	**52.94**	12.00
– 51 years old or above	**77.78**	28.00
Overall	**64.71**	28.05

The Group considers to keep a flexible team structure and certain site workers are not retained which increases the employee turnover rates.

HEALTH AND SAFETY

The Group is committed to providing a safe and healthy workplace for all its employees. We take work safety seriously in all of our projects and have established measures to promote work safety and to ensure compliance with applicable laws and regulations. During the reporting period, no concluded cases regarding health and safety brought against the Company or its employees were noted.

Our employees are provided with work safety trainings, including the safety operation of construction machinery and equipment to emphasise the importance of the awareness of work safety. Through different on-the-job training, we would also encourage all our employees to get a better understanding with the applicable laws such as the Occupational Safety and Health Ordinance, policies and the necessary procedures to be followed in order to prevent occupational hazards.

We have incorporated a series of safety guidelines, rules and procedures for different aspects throughout our operating process, including fire safety, electricity safety, work-related injuries and emergency and evacuation procedures. Key safety precautions and measures are implemented as follows:

– Regular checks with any necessary maintenance are carried out for all the electrical appliances and machines; and

– Protective equipment is provided to workers according to their positions and job nature.

4 Turnover rate by gender refers to total number of employee turnover of the gender group per the total number of employees of the corresponding gender group at the end of the year.

5 Turnover rate by age group refers to total number of employee turnover of the age group per the total number of employees of the corresponding age group at the end of the year.

DEVELOPMENT AND TRAINING

The Group recognises the importance of providing our staff the opportunity to continuously improve the professional skill set and hence the quality of our services. The Group encourages the senior management and department heads to carry out proactive coaching and provide detailed guidance to the subordinates in order to meet their current and future business needs.

All of our new staff are provided with detailed orientation from which our staff would get an understanding of the job responsibilities, work safety as well as the corporate culture and policies. To ensure the staff bears with certain technical skills, on-the-job coaching would be provided to staff at different position. The Group also promotes lifelong learning among its staff and encourages staff to attend different external seminars or trainings such as first aid training course and safety supervisor training course.

LABOUR STANDARDS

The Group prohibits the employment of child labour and forced labour. We strictly comply with the relevant laws and regulations including the Employment Ordinance in Hong Kong. We have established transparent labour policies and dynamic reporting channels to ensure a fair labour practice is adopted. During the reporting period, the Group did not find any cases relating to child labour or forced labour.

OPERATING PRACTICES

Supply Chain Management

The Group relies on subcontractors and suppliers to provide different construction machinery and materials. We are fully aware of the potential environmental and social risks associated with our supply chain and are committed to reducing such risks in the collaboration with our subcontractors and suppliers. Before and during the engagement with our subcontractors and suppliers, we would carry out regular assessment on the supplier's corporate conditions, reputation, credibility as well as the quality of the services provided. The Group maintains a long-term strategic relationship with our subcontractors and suppliers based on the results from the assessment.

SERVICES RESPONSIBILITY

We place the quality of our services as the utmost important focus in our operation. The Group is in strict compliance with the related laws and regulations, aiming to provide a high-quality standard of services to our customers. During the reporting period, the Group did not discover any significant risk exposure in relation to our services.

We have maintained a quality management system which follows the ISO 9001:2008 standards in order to execute the quality control policy of our Group. Our quality management system is part of our project quality plans which specify the steps to be carried out and complied with throughout the execution of our foundation projects from the pre-construction stage to maintenance stage. To ensure that our works meet the required standard, we normally assign one foreman on a full time basis at each of the construction sites to monitor the quality of foundation works done by our own staff and, as the case may be, our subcontractors. Our project managers visit the construction sites from time to time and monitor the work quality, the progress of construction work and ensure that the works are duly completed according to the implementation schedules.

During the reporting period, no complaints relating to the quality of services were received by the Group.

Intellectual Property Protection

Our Group protects intellectual property rights and regards it as an area of substantial importance. We would take active steps to protect our trademarks and other intellectual property rights by completing necessary filing and registration. For any new trademark to be licensed, the Group shall take all appropriate action to register and protect trademarks in the jurisdictions in which our operations are carried out.

Customer Information Protection

We fully respect customer data privacy. The Group is committed to preventing customer data leakage or loss and has taken proper measures to safeguard data integrity by restricting the access of confidential customer data. All collected customer personal data and property are only accessible by authorised personnel and handled with care. During the reporting period, there were no complaints received concerning breaches of customer privacy and loss of data.

Anti-corruption

The Group is committed and determined to maintain a culture of honesty and opposition to fraud and corruption, with zero tolerance towards any kind of bribery and money-laundering activities.

The Group implements related policies and procedures including an anti-fraud framework and whistle-blower program. These policies and procedures outline the principles to which we are committed to preventing, reporting and managing fraud, corruption and bribery. We have communicated with our employees on these policies and procedures throughout our daily operations. To prevent conflict interest, the Group has also identified procedures with relatively high risk on conflict of interest, such as project bidding, recruitment and promotion, etc. and established transparent policy to minimise its impact.

All of our employees are required to make a declaration to the management through the reporting channels once there is any actual or potential conflict of interest found. Employees cannot receive any gift from any external business parties unless prior approval is obtained from the management.

During the reporting period, the Group is not aware of any non-compliance or violation of any relevant laws and regulations in respect of anti-corruption and money laundering.

COMMUNITY

Community Investment

Contribution to the community and maintaining a harmonious and prosperous society are crucial for the sustainable development of the Group. Apart from our pursuit of the business development, we encourage our staff to actively participate in charitable activities and volunteer works, especially on those relating to environmental protection.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company aims to achieve high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the year ended 31 March 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"). Pursuant to which, in considering the declaration and payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and future business growth and take into account the following factors of the Group:

a. operations and earnings;

b. business development;

c. capital requirements and surplus;

d. general financial conditions;

e. contractual restrictions (if any); and

f. any other factors that the Board consider appropriate.

The Board has discretion to declare and distribute dividends to the shareholders of the Company, subject to the Bye-laws and all applicable laws and regulations. The Board will review the Dividend Policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of seven Directors including four executive Directors and three independent non-executive Directors:

Executive Directors

Chow Kwok Chun *(Chairman)*
Tsang Hing Kuen *(Chief Executive Officer)*
Leung Kim Lim
Liu Jin Fai

Independent Non-executive Directors

Ip Ka Ki
Professor Kuang Jun Shang
Law Wang Chak Waltery (resigned on 30 May 2019)
Tse Ka Ching Justin (appointed on 30 May 2019)

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 36 to 40 under the section headed "Biographical Details of Directors and Senior Management".

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided to the Company a record of training they received for the period.

The individual training record of each Director received for the Year is summarised below:

Name of Directors	Attending seminars/ reading materials relevant to the director's duties
Chow Kwok Chun *(Chairman)*	✓
Tsang Hing Kuen *(Chief Executive Officer)*	✓
Leung Kim Lim	✓
Liu Jin Fai	✓
Ip Ka Ki	✓
Professor Kuang Jun Shang	✓
Law Wang Chak Waltery* (resigned on 30 May 2019)	Not applicable
Tse Ka Ching Justin (appointed on 30 May 2019)	✓

* *Resigned during the Year*

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code requires that the responsibilities between the chairman and the chief executive officer to be segregated.

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Chow Kwok Chun is the Chairman of the Board and Mr. Tsang Hing Kuen is the Chief Executive Officer of the Company. Mr. Chow is in charge of the management of the Board and strategic planning of the Group. Mr. Tsang is responsible for the day-to-day management of the Group's business. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Code provision A.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without the other Directors present. During the Year, the Chairman held a meeting with the independent non-executive Directors without the presence of the executive Directors.

Independent Non-executive Directors

The independent non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company.

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of construction, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gave a confirmation of his independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

Functions of the Board and Management

The Board is primarily responsible for establishing the overall strategies of the Group, setting objectives and business development plans, assuming responsibility of corporate governance and monitoring the performance of senior management.

The management, under the leadership of the executive Directors of the Company, is responsible for implementing the strategies and plans established by the Board and reporting on the Group's operations to the Board on a regular basis to ensure effective performance of the Board's responsibilities.

All the Directors have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. All the Directors have been provided with monthly updates on the Group's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

Board Diversity Policy

The Board adopted a board diversity policy on 30 November 2017 (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspects of its business. The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

During the year ended 31 March 2020, the Board held 6 meetings and 1 annual general meeting. The attendance record of each Director is set out below:

Name of Directors	Attendance/Number of meeting held Regular board meetings	AGM
Executive Directors		
Mr. Chow Kwok Chun *(Chairman)*	6/6	1/1
Mr. Tsang Hing Kuen *(Chief Executive Officer)*	6/6	1/1
Mr. Leung Kim Lim	6/6	1/1
Mr. Liu Jin Fai	6/6	1/1
Independent Non-executive Directors		
Mr. Ip Ka Ki	6/6	1/1
Professor Kuang Jun Shang	6/6	1/1
Mr. Law Wang Chak Waltery* (resigned on 30 May 2019)	1/1	Not applicable
Mr. Tse Ka Ching Justin (appointed on 30 May 2019)	5/5	1/1

* *Resigned during the Year*

Board minutes are kept by the Company secretary of the Company (the "**Company Secretary**") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 30 November 2017 and currently consists of one executive Director and two independent non-executive Directors, namely Mr. Chow Kwok Chun (as chairman), Mr. Ip Ka Ki and Mr. Tse Ka Ching Justin. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition and diversity (including the skills, knowledge, educational background, experience and diversity) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board in the selection of individuals nominated for directorships; and (c) assessing the independence of independent non-executive Directors.

In considering the composition of the Board, the Board diversity will been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, ethnicity, professional experience, skills and knowledge, length of services and time to be devoted as a director in accordance with the Board Diversity Policy. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 March 2020, the Nomination Committee held two meetings.

Name of Members	Number of attendance
Mr. Chow Kwok Chun *(Chairman)*	2/2
Mr. Ip Ka Ki	2/2
Mr. Law Wang Chak Waltery (resigned on 30 May 2019)	1/1
Mr. Tse Ka Ching Justin (appointed on 30 May 2019)	1/1

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 30 November 2017 and currently consists of one executive Director and two independent non-executive Directors, namely Mr. Ip Ka Ki (as chairman), Mr. Chow Kwok Chun and Professor Kuang Jun Shang. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

Terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Remuneration Committee include, but not limited to, (a) making recommendations to the Board on the policy and structure for the remuneration of all of Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (b) making recommendations to the Board on the specific remuneration packages of individual executive Directors and senior management; (c) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and (d) making recommendations to the Board on the remuneration of non-executive Directors.

During the year ended 31 March 2020, the Remuneration Committee held one meeting.

Name of Members	Number of attendance
Mr. Ip Ka Ki *(Chairman)*	1/1
Mr. Chow Kwok Chun	1/1
Professor Kuang Jun Shang	1/1

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 13 to the consolidated financial statements.

Senior Management's Remuneration

Senior management's remuneration for the Year falls within the following bands:

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

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 30 November 2017 and revised on 28 December 2018 and currently consists of three independent non-executive Directors, namely Mr. Tse Ka Ching Justin (as chairman), Mr. Ip Ka Ki and Professor Kuang Jun Shang. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Audit Committee include, but not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee shall review the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 March 2020, the Audit Committee held three meetings.

Name of Members	Number of attendance
Mr. Law Wang Chak Waltery (resigned on 30 May 2019)	Not applicable
Professor Kuang Jun Shang	3/3
Mr. Ip Ka Ki	3/3
Mr. Tse Ka Ching Justin	3/3

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

The accounts for the Year were audited by PricewaterhouseCoopers whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("**2020 AGM**"). The Audit Committee has recommended to the Board that PricewaterhouseCoopers be re-appointed as the auditors of the Company at the 2020 AGM.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions are performed by the Board.

The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's disclosure in the Corporate Governance Report.

AUDITORS' REMUNERATION

During the Year, the remuneration paid/payable to the Company's auditors are set out below:

	Fee paid/payable HK$'000
Audit services	2,445
Non-audit services*	95
Total:	2,540

* *The non-audit services mainly include tax compliance services.*

COMPANY SECRETARY

The Company has appointed Mr. Leung Cheuk Hei, who is an employee of the Company, as its Company Secretary. Mr. Leung Cheuk Hei has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training. The biography of Mr. Leung Cheuk Hei is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an EGM

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will request the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong by post or by email to stanleyleung@vicon.hk.

Procedures for shareholders to propose a person for election as a Director

If a shareholder of the Company wishes to propose a person other than a director of the Company for election as a Director, the Shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited ("**Share Registrar**"), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for the attention of the Company Secretary.

The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "**Letter**") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Procedures for shareholders to put forward proposals at general meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's share registrar in Hong Kong at their respective address and contact details set out on page 2 of this annual report.

The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than twenty-one clear days and not less than twenty clear business days in writing if the Proposal requires approval in an annual general meeting of the Company; and

(2) Notice of not less than fourteen clear days and not less than ten clear business days in writing if the Proposal requires approval in an extraordinary general meeting of the Company.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2020 AGM will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 March 2020, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledge that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The internal control systems of the Group are structured to assist in the achievement of the Group's goals, to safeguard the Group's assets and to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the Year. A review of the effectiveness of the risk management and internal control systems have been conducted by the Board at least annually.

Risk management

The Company has already reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, the Company has developed, approved and implemented a risk management system, which is defined and supported by its endorsed risk management policy. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Analysis:* Analyze the existing control, likelihood and consequence of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Internal control measures

The internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The internal control measures are supervised by management team including executive Directors of the Company. The management team is responsible to identify risks and internal control deficiencies, evaluate the internal control system of the Group from time to time and implementing additional control measures, if necessary, to improve the internal control system. Results of the internal assessments, internal surveys and routine inspections would be reported to the Audit Committee of the Board, which is responsible to review the financial information and supervise the financial reporting system and internal controls system of the Group.

Internal audit function

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls. In addition, the Board has appointed an internal control review consultant to review the internal control systems of the Group on an on-going basis. For the Year, the review covered key processes of project tendering, payment processing and administration, payroll and legal and compliance of the Group. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the Year were effective and adequate.

Handling and dissemination of inside information

With respect to the monitoring and disclosure of inside information, our Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

CONSTITUTIONAL DOCUMENTS

Pursuant to written resolutions of the then shareholders of the Company passed on 30 November 2017, the existing memorandum and articles of association of the Company were adopted. During the Year, there was no change in the constitutional documents of the Company.

The existing memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chow Kwok Chun ("Mr. Chow"), aged 43, was appointed as our Director on 13 January 2016, and re-designated as an executive Director and chairman of our Board on 13 May 2017. He is mainly responsible for our Group's overall strategic planning and overseeing the general management of our Group. Mr. Chow is also the chairman of the nomination committee and a member of the remuneration committee of our Board. Mr. Chow became one of the shareholders of Vicon Construction Company Limited ("**Vicon Construction**") in April 2007 and has been a director of Vicon Construction since April 2007 and Vicon Machinery Company Limited ("**Vicon Machinery**") since November 2013.

Mr. Chow obtained a Bachelor of Engineering in Civil Engineering and a Master of Science in Geotechnical Engineering from University of Newcastle Upon Tyne in July 2000 and May 2004 respectively.

Mr. Chow has accumulated about 17 years of experience in the construction industry.

Mr. Tsang Hing Kuen ("Mr. Tsang"), aged 51, was appointed as our Director on 13 January 2016, and re-designated as an executive Director and our chief executive officer on 13 May 2017. Mr. Tsang is in charge of the overall management of our Group. Mr. Tsang has accumulated about 26 years of experience in building construction business in Hong Kong. Mr. Tsang joined our Group in June 2012 and has been a director of Vicon Construction since June 2012 and Vicon Machinery since November 2013.

Mr. Tsang obtained a Bachelor of Engineering in Civil Engineering and a Master of Business Administration from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in October 1992 and from the University of Wollongong, New South Wales, Australia, in August 2005 respectively. Mr. Tsang also obtained a Postgraduate Certificate in Hong Kong Law from City University of Hong Kong in November 2000.

Mr. Tsang has the following professional qualifications:

Qualifications	Year of award	Conferring departments or institutions
Authorised Signatory and Technical Director for Vicon Construction as Specialist Contractor in the Site Formation Works Category	June 2019	Buildings Department
Authorised Signatory and Technical Director for Vicon Construction as General Building Contractor	September 2015	Buildings Department
Authorised Signatory and Technical Director for Vicon Construction as Specialist Contractor in the Foundation Works Category	August 2015	Buildings Department
Class 1 Registered Structural Engineer	July 2001	National Administration Board of Engineering Registration (Structural), the PRC
Registered professional engineer (structural)	March 1997	Hong Kong Engineers Registration Board
Member in civil discipline	September 1997	Hong Kong Institute of Engineers
Member in the structural discipline	April 1996	Hong Kong Institute of Engineers
Member	November 1995	Institute of Structural Engineers in the United Kingdom

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Kim Lim ("Mr. Leung"), aged 44, was appointed as our executive Director on 13 May 2017. Mr. Leung is mainly responsible for management and coordination of various types of projects and budget control.

Mr. Leung obtained a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Civil Engineering, both from the Hong Kong University of Science and Technology in November 1997 and November 2000 respectively.

Mr. Leung has the following professional qualifications:

Qualification	Year of award	Conferring departments or institutions
Authorised Signatory for Vicon Construction as Specialist Contractor in the Site Formation Works Category	June 2019	Buildings Department
Authorised Signatory for Vicon Construction as General Building Contractor	September 2015	Buildings Department
Authorised Signatory for Vicon Construction as Specialist Contractor in the Foundation Works Category	August 2015	Buildings Department
Member in civil discipline	March 2006	Hong Kong Institute of Engineers
Registered Professional Engineer in structural discipline	February 2004	Engineer Registration Board
Chartered Engineer	March 2003	Engineers Council in the United Kingdom
Member in structural discipline	March 2003	Hong Kong Institute of Engineers
Chartered Structural Engineer	November 2002	Institute of Structural Engineers in the United Kingdom

Mr. Leung has accumulated over 20 years of experience in civil, building and foundation construction works.

Mr. Liu Jin Fai ("Mr. Liu"), aged 63, was appointed as our executive Director on 13 May 2017. He is mainly responsible for the day-to-day construction operations; general management, project management and organisation; planning in-house training programme; and Technical Competent Person site supervision.

Mr. Liu has accumulated about 30 years of experience in civil, building and foundation construction works. Mr. Liu obtained the Diploma in Civil Engineering, Higher Certificate in Civil Engineering and Endorsement Certificate in Water Supply and Treatment issued by the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in October 1977, November 1980 and November 1982 respectively. He further his studies and obtained the Bachelor of Engineering from The University of Sheffield, the United Kingdom in July 1992. Mr. Liu has been admitted as member of the Hong Kong Institution of Engineers since September 1997. He has also been a Registered Professional Engineer of Engineers Registration Board since July 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Ka Ki ("Mr. Ip"), aged 40, was appointed as our independent non-executive Director on 30 November 2017. He is also the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of our Board.

Mr. Ip obtained his Bachelor of Business Administration in Accountancy degree from Lingnan University in November 2003. He has been Member of The Association of Chartered Certified Accountant since 2007 and Associate of The Hong Kong Institute of Chartered Secretaries since 2015.

Mr. Ip has been the assistant financial controller and the company secretary of Imperium Group Global Holdings Limited (HKSE: 0776) (formerly known as JF Household Furnishings Limited) since 2011 and April 2017, respectively. From 2006 to 2011, he worked for Shinewing (HK) CPA Limited, an accountancy company, with his last position as assistant manager and was responsible for providing audit works for listed companies. During the period from August 2016 to November 2016, he was an executive director of Grand Peace Group Holdings Limited (HKSE: 8108).

Professor Kuang Jun Shang ("Professor Kuang"), aged 66, was appointed as our independent non-executive Director on 30 November 2017. He is also a member of the audit committee and the remuneration committee of our Board.

Professor Kuang received his bachelor's degree in structural engineering from The South China University of Technology (formerly known as The South China Institute of Technology) in July 1982. He received his degree of doctor of philosophy from University of Hong Kong and University of Cambridge in December 1989 and October 1992 respectively.

Professor Kuang has been admitted as a Chartered Engineer of the Engineering Council of the United Kingdom in January 1997, a fellow of the Institution of Civil Engineers of the United Kingdom in December 2004, a fellow of the Institution of Structural Engineers of the United Kingdom in June 2006 and a fellow of the Hong Kong Institution of Engineers in November 2009.

Professor Kuang was an assistant professor from July 1992 to June 1997 and an associate professor from July 1997 to June 2009 in the Hong Kong University of Science and Technology. He has been a professor in the Hong Kong University of Science and Technology since July 2009.

Professor Kuang served as a member of the Construction Workers Registration Board of Construction Industry Council from January 2013 to December 2016. He also served as a member of the Building Committee of Hong Kong Housing Authority from April 2013 to March 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tse Ka Ching Justin ("Mr. Tse"), aged 33, obtained a bachelor of science degree with honours in human biology in the University of Toronto in Canada in June 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2014. Mr. Tse worked in KPMG from August 2010 to April 2018 with his last position held was audit manager. Mr. Tse has worked as senior finance manager at Pacific Tiger Group Limited since April 2018. He is currently an independent non-executive director of Hang Yick Holdings Company Limited (HKSE: 1894), which is listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Leung Kim Lim is our executive Director and project director. Please refer to the section headed "Executive Directors" above in this annual report for his biographical information.

Mr. Liu Jin Fai is our executive Director and project manager. Please refer to the section headed "Executive Directors" above in this annual report for his biographical information.

Mr. Chu Chun Man ("Mr. Chu"), aged 36, is our contracts manager who is mainly responsible for tender bidding, procurement and post-contract administration of construction projects. Mr. Chu has over 13 years of experience in construction industry.

Mr. Chu obtained a Bachelor of Science in Construction Economics and Management from The Hong Kong Polytechnic University in December 2006 and a Bachelor of Laws from The University of London through distance learning in August 2017. He has been admitted as a professional member of The Royal Institution of Chartered Surveyors in November 2010, an incorporate member of The Chartered Institute of Building in October 2011, BEAM Professional of Hong Kong Green Building Council in March 2013, a member of The Hong Kong Institute of Surveyors in September 2014, and a Registered Professional Surveyor (Quantity Surveying) by Surveyors Registration Board in January 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Mok Ka Fai Wilson ("Mr. Mok"), aged 48, is our safety manager who is mainly responsible for monitoring the safety & health management system of our Company. Mr. Mok has more than 21 years of experience in construction industry.

Mr. Mok has been registered as a safety officer with the Labour Department under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since May 1996. He was admitted as a member of the Institution of Occupational Safety and Health in 2005 and later became a chartered member of the same organisation in 2007. He became a registered Safety Auditor with the Labour Department – Occupational Safety and Health Branch under the Factories and Industrial Undertakings (Safety Management) Regulations in August 2008.

Mr. Mok obtained a Bachelor of Science degree in Construction Project Management from University of Central Lancashire in December 2008 and obtained a Master of Science in Environment and Public Health Management from Hong Kong Baptist University in November 2012. He finished a Construction Safety Officer Course organised by Construction Industry Training Authority in November 1993. He obtained Post-experience Certificate in Advanced Industry Safety in November 1997, Post-experience Certificate in Mechanical Engineering in November 1998, Post-experience Certificates in Quality Management and a Post-experience diploma in Engineering in November 2000, all from The Hong Kong Polytechnic University. He obtained a professional diploma in Crisis Management and Corporate Communication from the Hong Kong Productivity Council and The Institute of Crisis and Risk Management in February 2004. In November 2004, he obtained a Continuing Education Diploma in Occupational Safety and Health from City University of Hong Kong. He further obtained a Continuing Education Diploma in China Business (Financial Management) from Hong Kong Baptist University in December 2006.

COMPANY SECRETARY

Mr. Leung Cheuk Hei ("Mr. CH Leung"), aged 35, is our financial controller and the company secretary of our Company. Mr. CH Leung joined us in April 2016 and is responsible for our financial reporting, financial planning, treasury, financial control and company secretary matters. Prior to joining us, Mr. CH Leung was the company secretary and financial controller of KSL Holdings Limited (HKSE: 8170) from September 2014 to April 2016. From July 2007 to September 2014, he was employed by KPMG and his last position held was manager.

Mr. CH Leung obtained Bachelor of Economics and Finance degree from The University of Hong Kong in 2007. Mr. CH Leung has been a member of The Hong Kong Institute of Certified Public Accountants since September 2010. Mr. CH Leung has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since June 2018.

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the Year.

REORGANISATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 January 2016 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, Cap. 622 (Laws of Hong Kong) on 25 February 2016. Pursuant to the completion of the reorganisation as detailed in the section headed "History, Development and Reorganisation" in the Prospectus to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

The Shares of the Company were listed on the Main Board of the Stock Exchange on 22 December 2017 through Share Offer as described in the section headed "Structure and Conditions of the Share Offer" in the Prospectus.

USE OF PROCEEDS FROM THE COMPANY'S SHARE OFFER

The aggregate net proceeds from the Share Offer (after deducting listing expenses borne by the Company) amounted to approximately HK$82.7 million. The proposed application of net proceeds as stated in the Prospectus has been adjusted according to the principles and proposed percentage of utilisation as specified in the section headed "Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the share offer" of the Prospectus. The use of proceeds up to 31 March 2020 is included in the section "Management Discussion and Analysis" on page 11.

PRINCIPAL ACTIVITIES

The Company is an investment company and its subsidiaries are principally engaged in the foundation works and ancillary services in Hong Kong and Macau.

BUSINESS REVIEW

A review of the business of the Group for the Year and a discussion on the Group's future business development, and also the Group's performance during the Year are provided in the section headed "Management Discussion and Analysis" on pages 5 to 12. No important event affecting the Group has occurred since the end of the year under review.

Principal Risks and Uncertainties

There are certain risks involved in our Group's operations, many of which are beyond the Group's control, including but not limited to those relating to our business and the industry. Some of the major risks the Group facing include the following:

- the gross profit margin depends on the tender price of each project, which in turn is based on the estimated costs and time to be involved
- the Company requires various registrations, licenses and certifications to operate the Group's business in Hong Kong
- personal injuries, property damages or fatal accidents may occur at work sites
- any changes in environmental requirements may increase the Group's compliance costs
- the Group operates in a competitive foundation works services industry

Detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the Prospectus.

Environmental Policy and Performance

The Environment, Social and Governance Report of the Company for the Year contained the information required under Appendix 27 to the Listing Rules is set out on pages 13 to 23 of this report.

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

Key Relationships with Employees, Customers, Subcontractors and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers, subcontractors and suppliers. The Group aims to continue providing quality services to our customers and establishing cooperation strategy with our subcontractors and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 60.

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

CHARITABLE DONATIONS

During the Year, the Group did not make any charitable donations (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming 2020 AGM to be held on Thursday, 10 September 2020, the register of members of the Company will be closed from Friday, 4 September 2020 to Thursday, 10 September 2020, both days inclusive, during the period no transfer of shares will be registered. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m on Thursday, 3 September 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves available for distribution to the shareholders amounted to approximately HK$89.2 million.

SHARE CAPITAL

Details of the movements in the share capital during the Year are set out in Note 21a to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

GROUP FINANCIAL SUMMARY

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

DIRECTORS

The list of Directors of the Company and up to the date of this annual report is set out below:

Executive Directors

Mr. Chow Kwok Chun *(Chairman)*
Mr. Tsang Hing Kuen *(Chief Executive Officer)*
Mr. Leung Kim Lim
Mr. Liu Jin Fai

Independent Non-executive Directors

Mr. Ip Ka Ki
Professor Kuang Jun Shang
Mr. Law Wang Chak Waltery (resigned on 30 May 2019)
Mr. Tse Ka Ching Justin (appointed on 30 May 2019)

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to the retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Further, pursuant to Article 83 of the Articles of Association, any person appointed by the Board to fill a casual vacancy on or as an addition to the Board shall hold office only until the next following annual general meeting of the Company after his appointment, and shall be eligible for re-election. Accordingly, Mr. Chow Kwok Chun, Mr. Leung Kim Lim and Mr. IP Ka Ki shall retire from office at the AGM and, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 22 December 2017. Either party has the right to terminate the service agreement by giving not less than one month's written notice to the other party.

Our independent non-executive Directors, Mr. Ip Ka Ki and Professor Kuang Jun Shang has each entered into a letter of appointment with the Company for a term of three years commencing from 22 December 2019 and our independent non-executive Director, Mr. Tse Ka Ching Justin, has entered into a letter of appointment with the Company for a term of three years effective from 30 May 2019. Either party has the right to terminate the letter of appointment by giving not less than one month's written notice to the other party.

None of the Directors who are proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 27 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in or debentures of, the Company or in any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at 31 March 2020 or at any time during the Year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Group, or any of its subsidiaries, and any of the Company's controlling shareholders or any of their subsidiaries during the year ended 31 March 2020.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

(i) Long positions in our Shares

Name of Directors	Capacity	Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Notes
Chow Kwok Chun	Interest in a controlled corporation	Long position	210,000,000	52.5	1
Tsang Hing Kuen	Interest in a controlled corporation	Long position	90,000,000	22.5	2

Notes:

1. The 210,000,000 shares are held through Vic Group Holdings Limited ("**VGH**"), which is wholly-owned by Mr. Chow Kwok Chun.

2. The 90,000,000 shares are held through On Group Holdings Limited ("**OGH**"), which is wholly-owned by Mr. Tsang Hing Kuen.

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

Name of Director	Name of associated corporation	Capacity	Long position/ short position	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Chow Kwok Chun	VGH	Beneficial owner	Long position	1 share	100%
Mr. Tsang Hing Kuen	OGH	Beneficial owner	Long position	1 share	100%

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2020.

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name of Directors	Capacity	Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Notes
VGH	Beneficial owner	Long position	210,000,000	52.5	1
OGH	Beneficial owner	Long position	90,000,000	22.5	2
Ms. Hon Yuk Hung	Interest of spouse	Long position	210,000,000	52.5	3
Ms. Lee Siu Fong	Interest of spouse	Long position	90,000,000	22.5	4

Notes:

1. VGH is wholly-owned by Mr. Chow Kwok Chun.

2. OGH is wholly-owned by Mr. Tsang Hing Kuen.

3. Ms. Hon Yuk Hung is the spouse of Mr. Chow Kwok Chun. Ms. Hon Yuk Hung is deemed to be interested in all the Shares which are interested by Mr. Chow Kwok Chun by virtue of the SFO.

4. Ms. Lee Siu Fong is the spouse of Mr. Tsang Hing Kuen. Ms. Lee Siu Fong is deemed to be interested in all the Shares which are interested by Mr. Tsang Hing Kuen by virtue of the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 March 2020.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the Company's then shareholders passed on 30 November 2017. As of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

Purpose of the Scheme

The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions eligible participants had or may have made to our Group. The Scheme will provide eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate eligible participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Group.

Shares available for issuance

The maximum number of the Shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 40,000,000 Shares. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the Shareholders' approval and/or grant options beyond the 10% limit to eligible participants specifically identified by the Board. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Scheme) if this will result in the 30% limit being exceeded.

As at the date of this report, the outstanding number of share options available for grant under the Scheme is 40,000,000 share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

Maximum entitlement of each eligible participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

Time for exercising option and duration of the Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised otherwise imposed by the Directors.

Payment on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Basis of determining exercise price of the option

The subscription price of a Share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

NON-COMPETITION UNDERTAKINGS

Mr. Chow Kwok Chun, Mr. Tsang Hing Kuen, Mr. Leung Kim Lim, Mr. Liu Jin Fai, VGH and OGH (together, the "**Covenantors**") have entered into the deed of non-competition on 30 November 2017 (the "**NCU**") in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time), under which each of the Covenantors has jointly and severally undertaken to the Company that he/it shall not, and shall procure that none of their respective close associates (other than members of the Group) shall, during the period that (a) the shares of the Company remain listed on the Stock Exchange; and (b) either the Covenantors and their respective close associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company and not less than 10% of the voting power from the Substantial Shareholders; or (c) any of the Covenantors or their respective close associates remains as a director of any member of our Group, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that directly or indirectly be involved in or any business that directly or indirectly competes, or may compete, with our business or undertaking and any other new business which our Group may undertake from time to time after the listing of the shares of the Company on the Main Board of the Stock Exchange.

The Covenantors have confirmed to the Company the compliance with the non-competition undertakings during the year ended 31 March 2020. The independent non-executive Directors have reviewed the NCU and confirmed the compliance with the non-compete undertaking by the Covenantors during the year ended 31 March 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, within the Group's business at any time during the period from the Listing Date and up to the date of this annual report.

EQUITY-LINKED AGREEMENTS

No other equity-linked agreements were entered into by the Group, or existed during the Year.

SUBSIDIARIES

Details of subsidiaries of the Company as at 31 March 2020 are set out in Note 14 to the consolidated financial statements.

BORROWINGS

Particulars of the borrowings of the Group as at 31 March 2020 are set out in Note 23 to the consolidated financial statements.

As at 31 March 2020, the Group had bank borrowings of approximately HK$108.0 million (2019: HK$138.1 million including finance lease of machinery and equipment of HK$43.6 million).

As at 31 March 2020, banking facilities were granted to Vicon Construction Company Limited in respect of the specific projects, with an aggregate amount of approximately HK$119.9 million of which approximately HK$40.6 million had not been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

During the Year, the percentage of revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 60.4% and 98.4% of the Group's total revenue respectively.

During the Year, the largest subcontractor and the five largest subcontractors of the Group accounted for approximately 15.2% and 46.2% of the total cost of sales of the Group respectively.

During the Year, the largest supplier and the five largest suppliers of the Group accounted for approximately 4.8% and 12.0% of the total cost of sales of the Group respectively.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

EMOLUMENT POLICY

The remuneration offered to the employees of the Group generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualifications, position and seniority. The Group will review our remuneration package annually. The Group provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

On 30 November 2017, the Company had adopted the Share Option Scheme under which full time or part time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for Year are set out in Note 13a to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the listing of its shares on the Stock Exchange and up to the date of this report.

AUDIT COMMITTEE

The Company established an Audit Committee on 30 November 2017 with written terms of reference in compliance with the CG Code. The primary duties and roles of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Tse Ka Ching Justin (as chairman), Mr. Ip Ka Ki and Professor Kuang Jun Shang. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2020.

AUDITORS

The shares of the Company were listed on the Stock Exchange on 22 December 2017 and there has been no change in auditor since then. The consolidated financial statements for the year ended 31 March 2020 were audited by PricewaterhouseCoopers whose term of office will expire upon the conclusion of the 2020 AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company for the subsequent year is to be proposed at the 2020 AGM.

By order of the Board
Vicon Holdings Limited
Chow Kwok Chun
Chairman

Hong Kong, 26 June 2020

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

OPINION

What we have audited

The consolidated financial statements of Vicon Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 113, which comprise:

- the consolidated balance sheet as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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.

The key audit matters identified in our audit are summarised as follows:

- Accounting for construction contracts – estimated total costs and profit recognition
- Impairment assessment of trade and retention receivables and contract assets

Key Audit Matters	How our audit addressed the Key Audit Matters
Accounting for construction contracts – estimated total costs and profit recognition Refer to Note 2.20 in the summary of significant accounting policies, Note 4(b), Note 5 and Note 19 to the consolidated financial statements. For the year ended 31 March 2020, gross profit from construction contracts on foundation work amounted to HK$49,103,000. The Group applied the input method in recognising revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation of the entire contract. Recognition of revenue, cost and profit on contracts requires significant judgement and estimates in (a) measuring the progress with reference to the actual costs incurred as a percentage of total estimated costs for each contract; (b) estimating total budgeted costs and profit margin for each contract; and (c) estimating the expected recovery of costs arising from additional work performed throughout the contract periods.	Our procedures in relation to management's accounting for the progress towards complete satisfaction of the performance obligation, estimated costs and profit recognition of construction contracts included: – Obtaining an understanding and testing the key controls over the budgetary process. – Comparing the historical actual gross profit margin to those budgeted to assess the quality of management budgetary process. – Inspecting material construction contracts of the Group for agreed contract amount and variations, if any. – Checking the Group's efforts to the satisfaction of the Group's performance obligation by reference to the proportion of contract costs incurred for work performed to date to the estimated total construction costs of the selected contracts, and testing, on a sample basis, the revenue recognition based on the Group's efforts and the calculations of gross profits.

KEY AUDIT MATTERS (continued)

Key Audit Matters

Revenue, cost and profit recognition from construction contracts, as stated above, requires significant time and resources to audit due to the magnitude as well as the significant judgement and estimates involved.

How our audit addressed the Key Audit Matters

- Selecting a sample of contracts to examine management's budget of the cost components, such as costs of materials, subcontracting fees and labour costs. We compared the budgeted component cost to supporting documents including but not limited to invoices, price quotation and rate of labour costs. For each selected contract, we also compared cost component of the actual cost incurred up to year end to the budgeted cost and obtained explanation from management for any material variation.
- Discussing the status of projects with the Group's quantity surveyors and project managers, to identify any variations of contracts and claims, and to obtain explanations for fluctuations in margins and changes in budget as well as the expected recovery of variations. Where necessary, we obtained written opinion from the Group's external legal adviser and discussed with the adviser the basis in concluding the minimum amount which would be recovered from the project. We checked relevant evidence including agreements, correspondence with customers, for corroboration of their explanations.

Based on the above audit procedures performed, we found that the judgement and estimates adopted by management in determining the estimated contract costs and profit recognition of construction contracts were supported by the evidence we obtained.

KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of trade and retention receivables and contract assets Refer to Note 2.12 in the summary of significant accounting policies, Note 4(c), Note 17 and Note 19 to the consolidated financial statements. As at 31 March 2020, the Group had gross trade and retention receivables and contract assets of approximately HK$46,522,000 and HK$337,402,000 respectively and provision for impairment of approximately HK$Nil and HK$12,908,000 respectively against these balances. Management performed periodic assessment on the recoverability of the trade and retention receivables and contract assets and the sufficiency of provision for impairment based on information including credit profile of customers, ageing of the trade and retention receivables and contract assets, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going business relationships with the relevant customers. The Group individually assessed and made impairment provision on trade and retention receivables and contract assets when the likelihood of receiving payment from a debtor and billing to customers to cover contract assets become remote.	Our audit procedures in relation to management's impairment assessment of the trade and retention receivables and contract assets as at 31 March 2020 included: – Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; – Testing, on a sample basis, the accuracy of ageing profile on trade and retention receivables by checking to the underlying invoices; – Inquiring of management for the status of each of the material trade and retention receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public searches of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlements records and other correspondence with the customers; – Assessing the appropriateness of the expected credit loss provision methodology, examining the key inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses;

KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
To measure the expected credit losses, trade and retention receivables and contract assets have been assessed based on the days past due and the timing of billing respectively. Future cash flows for trade and retention receivables and contract assets are estimated on the basis of historical credit loss experience, adjusted to reflect the effects of current conditions as well as forward-looking information. An expected credit loss rate is then applied to the gross carrying amount of these assets. We focused on this area due to the fact that the impairment assessment of trade and retention receivables and contract assets under the expected credit losses model involved the use of significant management judgement and estimates.	– Where necessary, for projects with potential dispute with customers, we obtained written opinion from the Group's external legal adviser. We enquired their work performed and discussed with them the basis in concluding the minimum amount the Group is able to realise from the projects. We tested and checked relevant evidence including agreements and correspondence with customers. Based on the above audit procedures performed, we found that the management judgement and estimates used to assess the recoverability of the trade and retention receivables and contract assets and determine the impairment provision were supported by the evidence we obtained.

OTHER INFORMATION

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 AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**468,240**	370,433
Cost of sales	8	**(419,137)**	(320,375)
Gross profit		**49,103**	50,058
Other income, net	7	**9,935**	6,683
Impairment losses on contract assets	19	**(7,966)**	(4,942)
Other administrative expenses	8	**(14,238)**	(10,489)
Operating profit		**36,834**	41,310
Finance income	10	**19**	10
Finance costs	10	**(8,849)**	(6,726)
Finance costs, net	10	**(8,830)**	(6,716)
Profit before income tax		**28,004**	34,594
Income tax expense	11	**(4,273)**	(5,439)
Profit for the year		**23,731**	29,155
Other comprehensive income		**–**	–
Profit and total comprehensive income attributable to equity holders of the Company		**23,731**	29,155
Basic and diluted earnings per share (HK cents)	12	**5.93**	7.29

The notes on pages 66 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**160,716**	140,883
Prepayments and deposits	18	**7,030**	155
		167,746	141,038
Current assets			
Trade and retention receivables	17	**46,522**	47,819
Prepayments, deposits and other receivables	18	**11,103**	3,429
Contract assets	19	**324,494**	286,650
Income tax recoverable		**4,136**	3,354
Restricted bank balances	20	**3,180**	4,877
Cash and cash equivalents	20	**19,386**	16,516
		408,821	362,645
Total assets		**576,567**	503,683
EQUITY			
Capital and reserve			
Share capital	21(a)	**4,000**	4,000
Reserves	21(b)	**308,538**	284,807
Total equity		**312,538**	288,807

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	**3,033**	38,913
Lease liabilities	16	**41,715**	–
Deferred income tax liabilities	24	**9,125**	5,343
		53,873	44,256
Current liabilities			
Trade and retention payables	22	**77,136**	63,650
Other payables and accruals	22	**5,288**	6,983
Contract liabilities	19	**3,351**	721
Income tax payables		**3,429**	121
Lease liabilities	16	**15,968**	–
Borrowings	23	**104,984**	99,145
		210,156	170,620
Total liabilities		**264,029**	214,876
Total equity and liabilities		**576,567**	503,683

The consolidated financial statements on pages 66 to 113 were approved by the Board of Directors on 26 June 2020 and were signed on its behalf.

Mr. CHOW Kwok Chun
Director

Mr. TSANG Hing Kuen
Director

The notes on pages 66 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK$'000 (Note 21(a))	Share premium HK$'000 (Note 21(b))	Merger reserve HK$'000 (Note 21(b))	Retained earnings HK$'000	Total HK$'000
At 1 April 2018	4,000	104,742	30,000	120,910	259,652
Comprehensive income					
Profit for the year	–	–	–	29,155	29,155
At 31 March 2019	4,000	104,742	30,000	150,065	288,807
At 1 April 2019	**4,000**	**104,742**	**30,000**	**150,065**	**288,807**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**23,731**	**23,731**
At 31 March 2020	**4,000**	**104,742**	**30,000**	**173,796**	**312,538**

The notes on pages 66 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Profit before taxation		**28,004**	34,594
Adjustments for:			
– Depreciation	15	**22,571**	19,178
– Impairment losses on contract assets	19	**7,966**	4,942
– Gains on disposal of machinery and equipment	7	**(1,146)**	(2,931)
– Gains on disposal of subsidiaries	7	**(223)**	–
– Changes in cash surrender value of key management life insurance contract	7	**1,734**	–
– Finance costs	10	**8,849**	6,726
– Finance income	10	**(19)**	(10)
		67,736	62,499
Changes in working capital			
Decrease in trade and retention receivables		**1,297**	3,123
(Increase)/decrease in prepayments, deposits and other receivables		**(7,285)**	2,118
Increase in contract assets		**(45,810)**	(131,715)
Increase/(decrease) in contract liabilities		**2,630**	(4,180)
Increase/(decrease) in trade and retention payables		**13,486**	(2,630)
Decrease in other payables and accruals		**(1,670)**	(732)
Decrease/(increase) in restricted bank balances		**1,697**	(3,180)
Net cash generated from/(used in) operations		**32,081**	(74,697)
Income tax refund/(paid)		**2,035**	(3,832)
Net cash generated from/(used in) operating activities		**34,116**	(78,529)
Cash flows from investing activities			
Payments of machinery and equipment		**(19,879)**	(20,860)
Proceeds from disposal of machinery and equipment		**9,850**	14,140
Net cash disposed on disposal of subsidiaries	25	**(36)**	–
Investment in key management life insurance contract		**(8,764)**	–
Interest received		**19**	10
Net cash used in investing activities		**(18,810)**	(6,710)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from financing activities			
Drawdown of borrowings		**324,493**	248,878
Repayment of borrowings		**(310,946)**	(229,132)
Repayment of capital element of lease liabilities		**(17,134)**	–
Repayment of interest element of lease liabilities		**(3,160)**	–
Capital element of finance lease payment		**–**	(11,740)
Interest paid		**(5,689)**	(6,726)
Net cash (used in)/generated from financing activities		**(12,436)**	1,280
Net increase/(decrease) in cash and cash equivalents		**2,870**	(83,959)
Cash and cash equivalents at beginning of year		**16,516**	100,475
Cash and cash equivalents at end of year	20	**19,386**	16,516

The notes on pages 66 to 113 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries provide foundation works and ancillary services in Hong Kong and Macau. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars "HK$", unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during the year, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Adoption of new standards, interpretation and amendments to standards

The Group has adopted the following new standard, improvements, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 April 2019:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int23	Uncertainty over income tax treatments
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Adoption of new standards, interpretation and amendments to standards (continued)

The Group had to change its accounting policies as a result of adopting HKFRS 16 “Leases”. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This disclosed in Note 2.1(c). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Except for the impact for HKFRS 16 which have been disclosed in Note 2.1(c), the adoption of the above new standards, improvements, interpretation and amendments to standards did not have significant financial impact on these consolidated financial statements.

(b) New standards and interpretations not yet adopted by the Group

The following are new standard, revised framework and amendments to standards that have been published and are mandatory for the Group’s accounting periods beginning on or after 1 April 2020 or later periods, but have not been early adopted by the Group.

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a Business[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]

(1) Effective for the accounting period beginning on 1 January 2020
(2) Effective for the accounting period beginning on 1 January 2021
(3) Effective date to be determined

The Group will apply the above new standard, revised framework and amendments to standards when they become effective. No new standard, revised framework and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Changes in accounting policies

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the reporting period ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening of the consolidated balance sheet on 1 April 2019.

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 ("HKAS 17"). 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 (date of initial application of HKFRS 16). The weighted average lessee's incremental borrowing rate applied to the "operating lease" liabilities on 1 April 2019 was 3.5%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurement to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

In applying HKFRS 16 for the first time, the Group has used a single discount rate to a portfolio of leases with reasonable similar characteristics, which is a practical expedient permitted by the standard.

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 March 2019 and lease liabilities recognised in the opening consolidated balance sheet as at 1 April 2019 (date of initial application of HKFRS 16) is a follows:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	4,247
Discounted using the lessee's incremental borrowing rate at the date of initial application	4,150
Add: finance lease liabilities reclassified as at 31 March 2019	43,588
Lease liabilities recognised as at 1 April 2019	47,738
On which are:	
– Current lease liabilities	13,870
– Non-current lease liabilities	33,868
	47,738

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Changes in accounting policies (continued)

The associated right-of-use assets for finance leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The carrying amount of right-of-use assets by class of underlying assets are as below:

	HK$'000
Office premises and warehouse	4,150
Plant and machinery	70,184
	74,334

The following tables summarise the impacts of adopting HKFRS 16 in the opening of the consolidated balance sheet as at 1 April 2019 (date of initial application of HKFRS 16):

	As previously stated HK$'000	Impact of adoption of HKFRS 16 HK$'000	As restated HK$'000
Consolidated Balance Sheet (Extract)			
Assets			
Property, plant and equipment	140,883	4,150	145,033
Liabilities			
Non-current liabilities:			
Borrowings	38,913	(33,036)	5,877
Lease liabilities	–	33,868	33,868
Current liabilities:			
Borrowings	99,145	(10,552)	88,593
Lease liabilities	–	13,870	13,870
	138,058	4,150	142,208

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(b) Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income or transferred to another category of equity as specified/permitted by applicable HKFRS.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Business combinations (continued)

Contingent consideration payable is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of comprehensive income.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.7 Investment in insurance contracts

The Group invests in certain key management insurance contracts, which contain both investment and insurance elements. The life insurance contracts are initially recognised at the amount of premium paid, and subsequently measured at each balance sheet date at its cash surrender value. Changes to the cash surrender value at each balance sheet date will be recognised in consolidated statement of comprehensive income as "Other income, net". In the event of death of the insured person, the surrender of the policies, or the policies mature, the investment will be derecognised and any resulting gains/losses will be recognised in consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in profit or loss during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining useful life and the period of the lease
Furniture and fixture	5 years
Machinery	3 to 10 years
Motor vehicles	5 years
Office equipment	3 years
Computer	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets, and are recognised in profit or loss.

2.9 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

– those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the profit and loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories to classify the debt instruments:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income, except for interest income generated from loan receivables which is included in revenue, using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of comprehensive income.

Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

(iii) Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the consolidated statement of comprehensive income in the period in which it arises.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Trade and other receivables

Trade receivables are amounts due from customers in the ordinary course of business. If collection of trade and other receivable is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated statement of comprehensive income.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call at bank with original maturity of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.17 Borrowing costs

General and specific 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.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the lax laws enacted or substantively enacted at the end of the reporting period in the places where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition

(a) Construction services

Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

(b) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. In the consolidated balance sheet, the contract assets mainly consist of unbilled revenue arising from the construction contracts and contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

2.21 Interest and other income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

Consultancy income is recognised in the accounting period in which the services are rendered.

Machinery rental income is recognised based on the straight-line basis over the lease terms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases

As explained in Note 2.1 (c) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.1(c).

Until 31 March 2019, leases of property, plant and equipment, as lessee, with substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term borrowings. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the lessee will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 26). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) Retirement benefit obligations

The Group participated in defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk, The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Foreign exchange risk

The Group principally operates in Hong Kong with most of the transactions denominated in HK$. The exposure to foreign exchange risk is not material to the Group.

(ii) Interest rate risk

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2020, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would be approximately HK$1,021,000 (2019: HK$912,000) lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank balances, trade and retention receivables and deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

(i) Risk management

As at 31 March 2020, the Group had concentration of credit risk as 79% (2019: 72%) of the total trade and retention receivables were due from three of the Group's (2019: three) customers, respectively.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts. The Group will also consider the creditworthiness and general reputation of customers before submitting any indication of interest or tender.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

The credit risk on deposits with banks is limited because deposits are in banks with sound credit ratings and good payment history. Management does not expect any loss from non-performance by related companies.

(ii) Impairment of financial assets

Trade and retention receivables and contract assets are subjected to expected credit loss model. While cash and cash equivalents, restricted bank balances and other financial assets are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade and retention receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all trade and retention receivables and contract assets.

As the Group's historical credit loss experience does not indicate different loss patterns for different customers, the loss allowance based on past due status and timing of billing to customers is not further distinguished among the customers. The expected loss rates are based on the historical payment profiles of revenue from the contracts over the past 3 years for trade and retention receivables and the historical billing pattern for contract assets, respectively, and the corresponding historical credit losses experienced within this period. These rates are adjusted to reflect the current and forward-looking information on economic condition.

For contract assets relating to accounts in which there are objective evidence that the likelihood of billing to customers are remote, they are assessed individually for impairment allowance. Accordingly, specific loss allowance of HK$2,766,000 was made as at 31 March 2019.

As at 31 March 2020, the expected credit loss of contract assets was HK$10,142,000 (2019: HK$2,176,000) based on expected loss rate of 3.03% (2019: 0.83%).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

The closing loss allowance for contract assets as at 31 March 2020 reconcile to the opening loss allowance as follows:

	2020 HK$'000	2019 HK$'000
Contract assets		
Opening loss allowance at 1 April	4,942	–
Increase in loss allowance recognised in profit or loss during the year	7,966	4,942
Closing at 31 March	12,908	4,942

Trade and retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade and retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents and other financial assets at amortised cost

There is no loss allowance for cash and cash equivalents, short term bank deposits and other financial assets at amortised cost as at 31 March 2020 (2019: same).

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Group maintains liquidity by a number of sources including orderly realisation of receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment.

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 March 2020					
Bank borrowings (including those subject to a repayment on demand clause)	**102,141**	**3,135**	**3,135**	**–**	**108,411**
Lease liabilities	**–**	**17,939**	**17,783**	**27,203**	**62,925**
Trade and retention payables	**–**	**65,126**	**3,345**	**8,665**	**77,136**
Other payables and accruals	**–**	**2,322**	**–**	**–**	**2,322**
At 31 March 2019					
Bank borrowings (including those subject to a repayment on demand clause)	85,937	3,135	3,135	3,135	95,342
Finance lease liabilities	–	13,013	11,356	25,322	49,691
Trade and retention payables	–	51,380	9,076	3,194	63,650
Other payables and accruals	–	3,005	–	–	3,005

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as total borrowings divided by total equity.

As at 31 March 2020 and 2019, the gearing ratios were as follows:

	2020 HK$'000	2019 HK$'000
Total borrowings (Note 23)	108,017	138,058
Total equity	312,538	288,807
Gearing ratio	35%	48%

3.3 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, restricted cash, trade and retention receivables, deposits and other receivables, trade and retention payables, other payables and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives of property, plant and equipment

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Construction contracts – recognition of revenue and contract assets

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

In addition, significant judgement is required to assess the recoverability of contract costs incurred as a result of difference between the amount applied to and the amount certified by the main contractor.

The progress towards complete satisfaction of the performance obligation is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract.

(c) Impairment of trade and retention receivables and contract assets

The loss allowances for trade and retention receivables and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past default history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1 (b).

5 REVENUE

Revenue represents the revenue from foundation work on building construction in the ordinary course of business. Revenue recognised is as follows:

	2020 HK$'000	2019 HK$'000
Foundation works and ancillary services	**468,240**	370,433

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider the segment from a business perspective and regard the Group's business as a single operating segment and reviews financial information accordingly.

Geographical information

(a) Revenue from external customers

	2020 HK$'000	2019 HK$'000
Hong Kong	468,240	360,973
Macau	–	9,460
	468,240	370,433

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2020 HK$'000	2019 HK$'000
Hong Kong	167,746	141,038

The non-current assets information above is based on the location of the assets.

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A (Note)	282,994	N/A
Customer B	66,781	194,906

Note: Revenue from customer A did not exceed 10% of total revenue for the year ended 31 March 2019.

7 OTHER INCOME, NET

	2020 HK$'000	2019 HK$'000
Machinery rental income	10,069	510
Consultancy income	150	3,132
Gains on disposal of machinery and equipment	1,146	2,931
Gains on disposal of subsidiaries (Note 25)	223	–
Changes in cash surrender values of key management life insurance contract (Note 18)	(1,734)	–
Others	81	110
	9,935	6,683

8 EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Cost of sales		
Subcontracting charges	290,509	172,805
Staff costs (Note 9)	41,919	41,209
Lease expenses relating to short-term lease of machineries and equipment	1,075	–
Rental expenses for machineries and equipment	–	2,144
Depreciation	16,984	18,044
Materials, parts and consumables	32,129	60,422
Operating lease rental in respect of storage premises	–	1,450
Others	36,521	24,301
	419,137	320,375
Other administrative expenses		
Staff costs (Note 9)	1,351	1,337
Auditors' remuneration		
– Audit services	2,445	1,755
– Non-audit services	95	75
Depreciation	5,587	1,134
Operating lease rental in respect of office and storage premises	–	1,868
Professional fees	3,004	3,087
Motor vehicle expenses	47	122
Others	1,709	1,111
	14,238	10,489

9 EMPLOYEE BENEFIT EXPENSES

	2020 HK$'000	2019 HK$'000
Wages and salaries	42,037	41,270
Pension costs – defined contribution plans	1,046	1,078
Employment benefit	187	198
	43,270	42,546
Less: amounts included in cost of sales	(41,919)	(41,209)
Amounts included in administrative expenses	1,351	1,337

The Group participates in a Mandatory Provident Fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK$1,500 per month to the MPF Scheme.

10 FINANCE COSTS, NET

	2020 HK$'000	2019 HK$'000
Finance income:		
– Interest income on bank deposits	19	10
Finance costs:		
– Interest expenses on bank borrowings	(5,689)	(4,853)
– Interest expenses on finance lease liabilities	–	(1,873)
– Interest expenses on lease liabilities (Note 16)	(3,160)	–
Finance costs, net	(8,830)	(6,716)

11 INCOME TAX EXPENSE

The amount of income tax charged to profit or loss represents:

	2020 HK$'000	2019 HK$'000
Hong Kong profits tax		
Current income tax	464	1,110
Deferred income tax (Note 24)	3,782	4,264
Under provision in prior year	27	65
	4,273	5,439

11 INCOME TAX EXPENSE (continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2020 HK$'000	2019 HK$'000
Profit before income tax	28,004	34,594
Calculated at tax rate of 16.5% (2019: 16.5%)	4,621	5,708
Tax losses for which no deferred tax asset was recognised	6	8
Income not subject to tax	(229)	(194)
Expenses not deductible for tax purposes	33	37
Tax concession	(185)	(185)
Under provision in prior year	27	65
Income tax expense	4,273	5,439

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2020	2019
Profit attributable to equity holders of the Company (HK$'000)	23,731	29,155
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	400,000	400,000
Basic earnings per share (HK cents)	5.93	7.29

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at year end.

13 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company which were included in staff costs as disclosed in Note 9 is set out below:

For the year ended 31 March 2020:

	Fees HK$'000	Salaries HK$'000	Contribution to defined contribution retirement scheme HK$'000	Total HK$'000
Executive directors				
Mr. CHOW Kwok Chun*	–	3,766	18	3,784
Mr. TSANG Hing Kuen	–	3,766	18	3,784
Mr. LEUNG Kim Lim	–	1,545	18	1,563
Mr. LIU Jin Fai	–	817	18	835
	–	9,894	72	9,966
Independent non-executive director				
Mr. IP Ka Ki	180	–	–	180
Professor KUANG Jun Shang	180	–	–	180
Mr. LAW Wang Chak Waltery (i)	30	–	–	30
Mr. TSE Ka Ching Justin (ii)	151	–	–	151
	541	–	–	541

13 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 March 2019:

	Fees HK$'000	Salaries HK$'000	Contribution to defined contribution retirement scheme HK$'000	Total HK$'000
Executive directors				
Mr. CHOW Kwok Chun*	–	3,766	18	3,784
Mr. TSANG Hing Kuen	–	3,766	18	3,784
Mr. LEUNG Kim Lim	–	1,545	18	1,563
Mr. LIU Jin Fai	–	817	18	835
	–	9,894	72	9,966
Independent non-executive director				
Mr. IP Ka Ki	180	–	–	180
Professor KUANG Jun Shang	180	–	–	180
Mr. LAW Wang Chak Waltery (i)	180	–	–	180
Mr. TSE Ka Ching Justin (ii)	–	–	–	–
	540	–	–	540

* Chairman and Chief Executive officer

Note:

(i) Mr. LAW Wang Chak Waltery resigned as the Company's independent non-executive director on 30 May 2019.

(ii) Mr. TSE Ka Ching Justin was appointed as the Company's independent non-executive director on 30 May 2019.

13 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' and chief executive's emoluments (continued)

During the year ended 31 March 2020, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; and (ii) waived or has agreed to waive any emolument.

During the year ended 31 March 2020, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services (2019: nil).

During the year ended 31 March 2020, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, other than those disclosed in Note 27 of the consolidated financial statements.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2020 include 3 directors (2019: 3 directors) whose emoluments are reflected in the analysis shown in Note 13(a). The emoluments payable to the remaining 2 individuals (2019: 2 individuals) are as follows:

	2020 **HK$'000**	2019 HK$'000
Basic salaries, other allowances and benefits in kind	**2,320**	1,941
Contribution to pension scheme	**36**	36
Bonuses	**272**	250
	2,628	2,227

The emoluments fell within the following bands:

	2020 **HK$'000**	2019 HK$'000
Emolument bands		
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	–

During the year ended 31 March 2020, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office (2019: nil).

14 SUBSIDIARIES

The following is a list of subsidiaries at 31 March 2019 and 2020:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital	Effective interest held as at 2020	2019
Directly held by the Company:					
Vicon Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	US$1	100%	100%
Jianchang Holdings Limited (Note (b))	British Virgin Islands, limited liability company	Investment holding	US$10,000	–	100%
Jinzheng Enterprises Solutions Limited (Note (b))	British Virgin Islands, limited liability company	Investment holding	US$10,000	–	100%
E Logistics Holdings Limited (Note (b))	British Virgin Islands, limited liability company	Investment holding	US$10,000	–	100%
Indirectly held by the Company:					
Vicon Construction Company Limited ("Vicon Construction")	Hong Kong, limited liability company	Foundation works in Hong Kong	HK$30,000,000	100%	100%
Vicon Machinery Company Limited	Hong Kong, limited liability company	Foundation works in Hong Kong	HK$10,000	100%	100%
Vicon Construction (Macau) Company Limited	Macau, limited liability company	Foundation works in Macau	MOP900,000	100%	100%
Vicon Assets Management Limited (Note (a))	Hong Kong, limited liability company	Dormant	HK$1	100%	–
Jiangchang Holdings HK Limited (Note (b))	Hong Kong, limited liability company	Dormant	HK$10,000	–	100%
Jiangzheng Enterprises Solutions Limited (Note (b))	Hong Kong, limited liability company	Dormant	HK$10,000	–	100%
E Logistics Holdings Limited (Note (b))	Hong Kong, limited liability company	Dormant	HK$10,000	–	100%
Jin Yi Holdings Limited (Note (b))	The People's Republic of China, limited liability company	Dormant	RMB50,000,000	–	100%
Jinhong Logistics Company Limited (Note (b))	The People's Republic of China, limited liability company	Dormant	RMB50,000,000	–	100%

Note:

(a) The company was incorporated on 9 October 2019.

(b) These companies were disposed on 24 March 2020 (Note 25).

15 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Computer HK$'000	Total HK$'000
At 1 April 2018								
Cost	–	1,903	1,497	136,981	4,131	315	120	144,947
Accumulated depreciation	–	(1,628)	(1,279)	(29,051)	(2,368)	(260)	(119)	(34,705)
Net book amount	–	275	218	107,930	1,763	55	1	110,242
Year ended 31 March 2019								
Opening net book amount	–	275	218	107,930	1,763	55	1	110,242
Additions	–	–	–	61,028	–	–	–	61,028
Disposal	–	–	–	(11,008)	(201)	–	–	(11,209)
Depreciation	–	(275)	(195)	(18,044)	(623)	(40)	(1)	(19,178)
Closing net book amount	–	–	23	139,906	939	15	–	140,883
At 31 March 2019								
Cost	–	1,903	1,497	180,912	3,120	315	120	187,867
Accumulated depreciation	–	(1,903)	(1,474)	(41,006)	(2,181)	(300)	(120)	(46,984)
Net book amount	–	–	23	139,906	939	15	–	140,883

15 PROPERTY, PLANT AND EQUIPMENT (continued)

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Computer HK$'000	Total HK$'000
Year ended 31 March 2020								
Opening net book amount	–	–	23	139,906	939	15	–	140,883
Adjustment for change in accounting policy	74,334	–	–	(70,184)	–	–	–	4,150
Restated opening net book amount	74,334	–	23	69,722	939	15	–	145,033
Additions	33,262	–	–	13,829	–	–	–	47,091
Disposal	–	–	–	(8,704)	–	–	–	(8,704)
Depreciation	(13,052)	–	(22)	(9,023)	(459)	(15)	–	(22,571)
Modification of lease	(133)	–	–	–	–	–	–	(133)
Closing net book amount	94,411	–	1	65,824	480	–	–	160,716
At 31 March 2020								
Cost	117,990	1,903	1,497	99,922	3,120	315	120	224,867
Accumulated depreciation	(23,579)	(1,903)	(1,496)	(34,098)	(2,640)	(315)	(120)	(64,151)
Net book amount	94,411	–	1	65,824	480	–	–	160,716

During the year, depreciation expenses of HK$16,984,000 (2019: HK$18,044,000) have been charged to cost of sales and HK$5,587,000 (2019: HK$1,134,000) have been charged to administrative expenses.

As at 31 March 2020, machinery with carrying amount of HK$15,503,000 (2019: HK$17,796,000) were pledged for the Group's bank borrowings (Note 23(c)(i)).

Lease assets – 2019

As at 31 March 2019, the balance of Machinery included the following amounts which the Group leased as a lessee, under finance leases (as set out in Note 23):

	2020 HK$'000	2019 HK$'000
Cost – capitalised finance leases	–	80,711
Accumulated depreciation	–	(10,527)
Net book amount	–	70,184

From 1 April 2019, leased assets are presented as right-of-use assets, see Note 16.

16 LEASES

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to the leases:

	At 31 March 2020 HK$'000	At 1 April 2019 HK$'000
Right-of-use assets		
Office premises and warehouse	731	4,150
Plant and machinery	93,680	70,184
	94,411	74,334
Lease liabilities		
Non-current		
– Office premises and warehouse	–	832
– Plant and machinery	41,715	33,036
	41,715	33,868
Current		
– Office premises and warehouse	798	3,318
– Plant and machinery	15,170	10,552
	15,968	13,870
Total lease liabilities	57,683	47,738

Additions to right-of-use assets amounted to HK$33,262,000 during the year ended 31 March 2020.

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to the leases:

	2020 HK$'000
Depreciation charges of right-of-use assets	13,052
Interest expense on lease liabilities (Note 10)	3,160
Lease expenses relating to short-term lease of machineries and equipment (Note 8)	1,075

The cash outflow for lease liabilities and lease expenses relating to short-term lease of machineries and equipment during the year ended 31 March 2020 were HK$20,294,000 and HK$1,075,000 respectively.

17 TRADE AND RETENTION RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	234	19,539
Retention receivables	46,288	28,280
Trade and retention receivables	46,522	47,819

At 31 March 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	2020 HK$'000	2019 HK$'000
1 to 30 days	–	11,808
91 to 180 days	–	–
181 to 365 days	20	7,731
1 to 2 years	214	–
	234	19,539

At 31 March 2020, the ageing analysis of the retention receivables based on invoice date were as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	25,609	16,601
Between 1 to 2 years	11,730	7,206
Between 2 to 5 years	8,949	4,473
	46,288	28,280

(a) Impairment and risk exposure

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables.

Information about the impairment of trade and retention receivables and the Group's exposure to credit risk can be found in Note 3.1 (b).

The credit period granted to trade customers other than for retention receivables was within 30 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The carrying amounts of trade and retention receivables were denominated in HK$.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Current portion:		
– Prepayment, deposits and other receivables (Note (i))	11,103	3,429
Non-current portion:		
– Deposit for purchase of property, plant and machinery	–	155
– Key management life insurance contracts (Note (ii))	7,030	–
	7,030	155
	18,133	3,584

Notes:

(i) The balance mainly represents miscellaneous deposits and receivables for construction projects.

(ii) Key management life insurance contracts

Movements of the Group's investment in key management life insurance contract are as follows:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	–	–
Addition	8,764	–
Changes in cash surrender value of key management life insurance contracts (Note 7)	(1,734)	–
At end of the year	7,030	–

As at 31 March 2020, key management life insurance contracts with carrying amount of HK$7,030,000 (2019: HK$ nil) were pledged for the Group's bank borrowings (Note 23(c)(ii)).

The carrying amounts of prepayment, deposits and other receivables approximated their fair values and were denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	11,103	3,584
USD	7,030	–
	18,133	3,584

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	2020 HK$'000	2019 HK$'000
Contract assets		
Provision of construction services	337,402	291,592
Less: Loss allowance	(12,908)	(4,942)
	324,494	286,650
Contract liabilities		
Provision of construction services	3,351	721

(a) Significant changes in contract assets and liabilities

Contract assets represents the amount by which the construction services performed by the Group is ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Details of the impairment assessment of contract assets are set out in Note 3.1(b) to the consolidated financial statements.

(b) Revenue recognition in relation to contract liabilities

The following table shows how much of the revenue recognised during the year ended 31 March 2020 relates to carried-forward contract liabilities.

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	721	1,255

19 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	2020 HK$'000	2019 HK$'000
Aggregate amount of the transaction price of long-term construction contracts that are unsatisfied as at 31 March	**280,119**	374,045

Management expects that most of the transaction price allocated to unsatisfied performance obligations as of 31 March 2020 will be recognised as revenue during the next reporting period. The amount disclosed above does not include variable consideration which is constrained.

20 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	2020 HK$'000	2019 HK$'000
Cash at bank	**22,446**	21,273
Cash on hand	**120**	120
Less: restricted bank balances (Note)	**(3,180)**	(4,877)
Cash and cash equivalents	**19,386**	16,516
Maximum exposure to credit risk	**22,446**	21,273

The carrying amounts of cash and bank balances and restricted bank balances are denominated in HK$.

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and cash at bank.

Note: As at 31 March 2020, restricted bank balances consist of deposits of HK$3,180,000 (2019: HK$4,877,000) for a bank to issue surety bonds in respect of the Group's construction contracts.

21 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(a) Share capital

	Number of shares	Share capital HK$'000
Ordinary shares, authorised:		
At 31 March 2018, 2019 and 2020	1,000,000,000	10,000

	Number of shares	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 31 March 2018, 2019 and 2020	400,000,000	4,000

(b) Share premium and reserves

	Share premium HK$'000	Merger reserve HK$'000 (note)	Retained earnings HK$'000	Total HK$'000
At 1 April 2018	104,742	30,000	120,910	255,652
Comprehensive income				
Profit for the year	–	–	29,155	29,155
At 31 March 2019 and 1 April 2019	104,742	30,000	150,065	284,807
Comprehensive income				
Profit for the year	–	–	23,731	23,731
At 31 March 2020	**104,742**	**30,000**	**173,796**	**308,538**

Note:

Merger reserve of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the Group's reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

22 TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade payables	54,569	41,386
Retention payables	22,567	22,264
Trade and retention payables	77,136	63,650
Other payables and accruals (Note)	5,288	6,983
	82,424	70,633

Note: The amounts mainly represent accruals and other payables for materials, wages, legal and professional fees and transportation costs.

The carrying amounts of trade and retention payables, other payables and accruals were denominated in HK$.

The credit period granted by trade creditors was within 30 days.

At 31 March 2020, the ageing analysis of the trade payables based on invoice date was as follows:

	2020 HK$'000	2019 HK$'000
1 to 30 days	54,569	41,386

The terms and conditions in relation to the release of retention vary from contract to contract. In the consolidated balance sheet, retention payables were classified as current liabilities. The ageing analysis of the retention payables based on invoice date was as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	10,557	9,994
Between 1 to 3 years	12,010	12,270
	22,567	22,264

23 BORROWINGS

	2020 HK$'000	2019 HK$'000
Non-current		
Long-term bank borrowings – secured (note (c)(i))	3,033	5,877
Finance lease liabilities – secured and guaranteed (note (d))	–	33,036
	3,033	38,913
Current		
Portion of long-term bank borrowings due for repayment within one year – secured (note (c)(i))	2,844	2,656
Short-term bank borrowings – secured and guaranteed (note (c)(ii))	87,140	70,937
Short-term bank borrowings – unsecured	15,000	15,000
Finance lease liabilities – secured and guaranteed (note (d))	–	10,552
	104,984	99,145
	108,017	138,058

(a) The maturity of borrowing is as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	104,984	88,593
Between 1 to 2 years	3,033	2,844
Between 2 to 5 years	–	3,033
	108,017	94,470

(b) The weighted average interest rates were as follows:

	2020	2019
Long-term bank borrowings	3.50%	3.50%
Short-term bank borrowings	3.86%	3.88%

The carrying amounts of borrowings were denominated in HK$ and approximated their fair value as the impact of discounting is not significant.

23 BORROWINGS (continued)

(c) The Group's banking facilities within one year are subject to annual review. The borrowings are secured or guaranteed as follows:

(i) As at 31 March 2020, machinery and equipment with carrying amount of HK$15,503,000 (2019: HK$17,796,000) were pledged for the Group's bank borrowings.

(ii) As at 31 March 2020, banking facilities granted to Vicon Construction in respect of specific projects, with an aggregate amount of HK$119,900,000 (2019: HK$74,340,000) were guaranteed by (i) the Company; and (ii) charge over the Group's trade receivables with an aggregate amount of approximately HK$nil (2019: HK$11,412,000), of which HK$40,589,000 (2019: HK$3,403,000) had not been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters.

As at 31 March 2020, a bank borrowing granted to Vicon Construction in respect of the key management insurance contract, with an amount of HK$7,830,000 (2019: nil) were guaranteed by (i) the Company; and (ii) charge over the Group's key management insurance contract with cash surrender value of approximately HK$7,030,000.

(d) Finance lease liabilities were included in borrowings until 31 March 2019, but were reclassified to lease liabilities on 1 April 2019 upon adoption of the new leasing standard. See Note 2.1(c) for further information about the change in the accounting policy for leases.

The minimum lease payments, lease liability and the future payment thereof as at 31 March 2019, relating to the aforementioned finance leases and expressed in terms of their net present value, are set out in the following table:

	2019 HK$'000
Commitments in relation to the finance lease are payable as follow:	
Within one year	13,013
Later than one year but no later than five years	36,678
Minimum lease payment	49,691
Future finance charges	(6,103)
Total lease liabilities	43,588
The present value of the finance lease liability is as follow:	
Within one year	10,552
Later than one year but no later than five years	33,036
Minimum lease payment	43,588

24 DEFERRED INCOME TAX

The analysis of deferred income tax was as follows:

	2020 HK$'000	2019 HK$'000
Deferred income tax liabilities to be recovered after more than 12 months	**9,125**	5,343

The movements in the deferred income tax account are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**(5,343)**	(1,079)
Charged to the profit or loss (Note 11)	**(3,782)**	(4,264)
At end of the year	**(9,125)**	(5,343)

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

The movements in deferred income tax liabilities and assets, without taking into consideration the offsetting of balances with the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2018	(12,490)
Charged to the profit or loss	(706)
At 31 March 2019	(13,196)
At 1 April 2019	**(13,196)**
Charged to the profit or loss	**(1,837)**
At 31 March 2020	**(15,033)**

24 DEFERRED INCOME TAX (continued)

Deferred income tax assets

	Tax losses HK$'000	Provision HK$'000	Unrealised profit arising from intra-group transactions HK$'000	Total HK$'000
At 1 April 2018	11,406	–	5	11,411
Charged to the profit or loss	(3,558)	–	–	(3,558)
At 31 March 2019	7,848	–	5	7,853
At 1 April 2019	**7,848**	**–**	**5**	**7,853**
Charged to the profit or loss	**(3,619)**	**1,674**	**–**	**(1,945)**
At 31 March 2020	**4,229**	**1,674**	**5**	**5,908**

25 DISPOSAL OF SUBSIDIARIES

On 24 March 2020, the Group entered into three bought and sold notes with an independent third party to dispose of the entire equity interests in three wholly-owned subsidiaries at total consideration of HK$234,000.

The aggregate net assets disposed of in respect of the disposal of the above subsidiaries during the year are as follows:

	2020 HK$'000
Consideration receivables	**234**
Net assets disposed of:	
– Cash and cash equivalents	**(36)**
– Accruals and other payables	**25**
Gain on disposal of subsidiaries (Note 7)	**223**

25 DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net outflow of cash and cash equivalent in respect of the disposal of the above subsidiaries is as follows:

	2020 HK$'000
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(36)

26 OPERATING LEASE COMMITMENTS

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

The future aggregate minimum lease rental expenses in respect of office and warehouses for storage under non-cancellable operating leases are as follows:

	2019 HK$'000
No later than 1 year	3,410
Later than 1 year and no later than 5 years	837
	4,247

27 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Key management compensation

Key management comprises the directors (executive and non-executive) of the Company. The compensation paid or payable to key management for employee services is shown below:

	2020 HK$'000	2019 HK$'000
Salaries, bonus, other allowances and benefits in kind	10,435	10,434
Pension costs – defined contribution plans	72	72
	10,507	10,506

28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Borrowings HK$'000	Finance leases HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2018	74,724	15,160	–	89,884
Cash flows from financing activities	19,746	(11,740)	–	8,006
Non-cash changes:				
Acquisition – finance lease	–	40,168	–	40,168
At 31 March 2019	94,470	43,588	–	138,058
At 1 April 2019, as previously reported	**94,470**	**43,588**	**–**	**138,058**
Upon adoption of HKFRS 16 (Note 2.1(c))	**–**	**(43,588)**	**47,738**	**4,150**
At 1 April 2019, as restated	**94,470**	**–**	**47,738**	**142,208**
Cash flows from financing activities	**13,547**	**–**	**(20,294)**	**(6,747)**
Non-cash changes:				
Addition of lease liabilities	**–**	**–**	**27,212**	**27,212**
Interest expense on lease liabilities	**–**	**–**	**3,160**	**3,160**
Modification of lease	**–**	**–**	**(133)**	**(133)**
At 31 March 2020	**108,017**	**–**	**57,683**	**165,700**

29 CONTINGENT LIABILITIES

As at 31 March 2020, the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK$60,416,000 (2019: HK$52,363,000). The performance bonds as at 31 March 2020 are expected to be released in accordance with the terms of the respective construction contracts.

30 ULTIMATE HOLDING COMPANY

Management considers VGH as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and owned by Mr. CHOW Kwok Chun.

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary		–	–
Current assets			
Prepayments		186	154
Amount due from a subsidiary		93,890	94,130
Cash and cash equivalents		34	71
Income tax receivables		23	–
		94,133	94,355
EQUITY			
Capital and reserve			
Share capital		4,000	4,000
Reserves	(a)	89,156	89,202
Total equity		93,156	93,202
LIABILITIES			
Current liability			
Other payables and accruals		977	1,032
Income tax payables		–	121
Total liabilities		977	1,153
Total equity and liabilities		94,133	94,355

The balance sheet of the Company was approved by the Board of Directors on 26 June 2020 and was signed on its behalf:

Mr. CHOW Kwok Chun
Director

Mr. TSANG Hing Kuen
Director

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Note (a)

Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	104,742	(15,398)	89,344
Loss for the year	–	(142)	(142)
At 31 March 2019	104,742	(15,540)	89,202
At 1 April 2019	104,742	(15,540)	89,202
Loss for the year	–	(46)	(46)
At 31 March 2020	104,742	(15,586)	89,156

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the five financial years, as extracted from the audited consolidated financial statements and the Prospectus is set out below:

CONSOLIDATED RESULTS

	For the year ended 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	323,563	263,471	381,301	370,433	**468,240**
Gross profit	57,317	48,407	50,192	50,058	**49,103**
Profit for the year	31,066	30,188	18,221	29,155	**23,731**
Earnings per share					
Basic (HK cents)	10.36	10.06	5.57	7.29	**5.93**
Diluted (HK cents)	N/A*	N/A*	5.57	7.29	**5.93**

* Not applicable

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	As at 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
ASSETS					
Non-current assets	76,189	126,005	113,099	141,038	**167,746**
Current assets	118,684	154,104	316,412	362,645	**408,821**
Total assets	194,873	280,109	429,511	503,683	**576,567**
LIABILITIES					
Current liabilities	78,133	118,239	153,415	170,620	**210,156**
Non-current liabilities	14,239	29,181	16,444	44,526	**53,873**
Total liabilities	92,372	147,420	169,859	214,876	**264,029**
EQUITY					
Total equity attributable to owners of the Company	102,501	132,689	259,652	288,807	**312,538**