Sang Hing Holdings (International) Limited

生興控股(國際)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 1472

ANNUAL REPORT 2020

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Wai *(Chairman)*
Mr. Lai Ying Wah
Mr. Lai Ying Keung

Non-executive Director

Mr. Fung Chi Kin

Independent non-executive Directors

Mr. Cheung Wai Kwok Gary
Professor Leung Yee Tak
Mr. Zhang Senquan
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

AUDIT COMMITTEE

Mr. Zhang Senquan *(Chairman)*
Mr. Cheung Wai Kwok Gary
Professor Leung Yee Tak
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

REMUNERATION COMMITTEE

Mr. Cheung Wai Kwok Gary *(Chairman)*
Mr. Zhang Senquan
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

NOMINATION COMMITTEE

Mr. Lai Wai *(Chairman)*
Professor Leung Yee Tak
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

SUSTAINABLE DEVELOPMENT COMMITTEE

Mr. Fung Chi Kin *(Chairman)*
Professor Leung Yee Tak
Mr. Zhang Senquan
Ms. Tsang Wing Kiu

COMPANY SECRETARY

Ms. Chang Kam Lai

AUTHORISED REPRESENTATIVES

Mr. Lai Wai
Ms. Chang Kam Lai

COMPLIANCE ADVISER

Cinda International Capital Limited
45/F, Cosco Tower
183 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 215A-B, 2/F
Central Services Building
Nan Fung Industrial City
No. 18 Tin Hau Road
Tuen Mun, New Territories
Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong law
O Tse & Co.

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited

COMPANY WEBSITE

www.sang-hing.com.hk

STOCK CODE

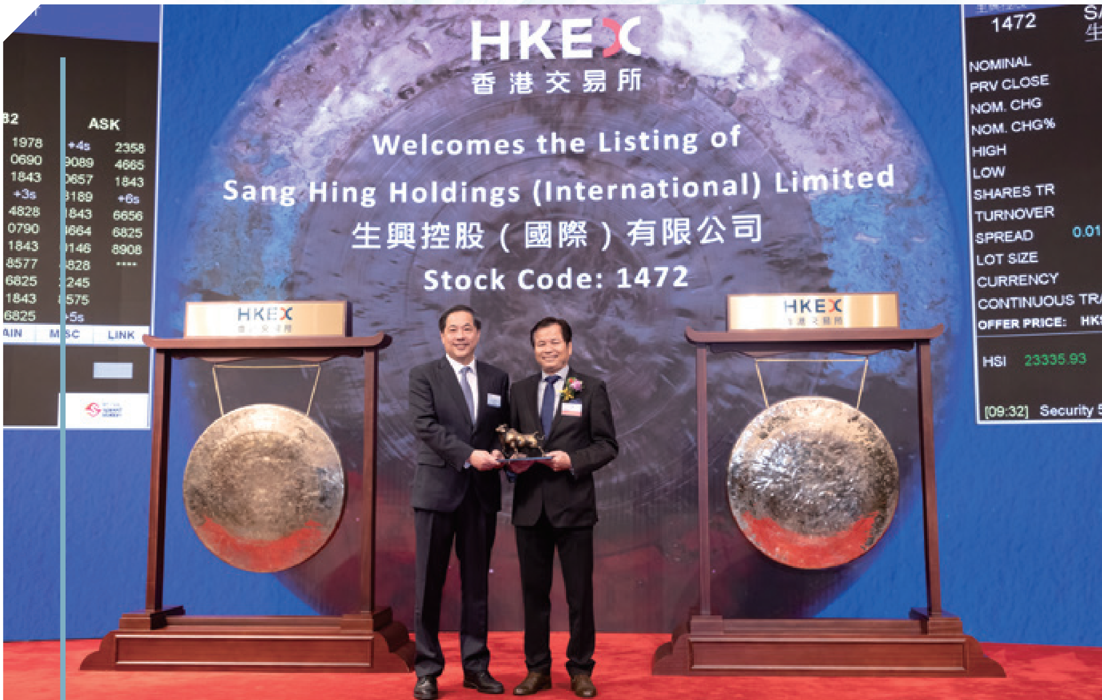
1472

Financial Highlights

	2020 ***HK$'000***	2019 *HK$'000*	Increase %
Revenue	**515,560**	434,717	18.6
EBITDA	**78,415**	65,925	18.9
Profit before tax	**59,857**	51,191	16.9
Profit for the year attributable to owners of the Company	**48,030**	41,035	17.0
Earnings per share attributable to owners of the Company			
Basic and diluted *(HK cents)*	**6.32**	5.47	15.5

EBITDA is defined as profit before finance costs, taxation, depreciation and listing expenses.

Chairman's Statement



The representative of Hong Kong Exchanges and Clearing Limited (Left)

Mr. Lai Wai (Right)
Chairman

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Sang Hing Holdings (International) Limited (the "**Company**"), I am pleased to present to all shareholders the first annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020 after the listing (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the Company on 17 March 2020.

2020 is a banner year for the Group as the shares of the Company (the "**Shares**") were successfully listed on the Main Board of the Stock Exchange on 17 March 2020. The Company issued 250,000,000 Shares at an issue price of HK$0.5 per Share under the share offer and received net proceeds from the share offer (the "**Net Proceeds**") of approximately HK$79.8 million after deducting related underwriting commission and listing expenses. The Net Proceeds will provide the Group with funds necessary for acquiring additional plant and machinery, recruiting additional staff, satisfying the capital requirements of additional bidding projects, upgrading information technology system and other purposes.

In early 2020, dragged down by the outbreak and evolving as a global epidemic of the novel coronavirus disease (the "**COVID-19 Outbreak**"), the global economy declined, and Hong Kong economy was no exception, suffering from considerable negative impact. During the year, civil engineering works market in Hong Kong was mainly driven by the ongoing and planned major infrastructure projects. In addition, budget of expenditure on infrastructure of the government of the Hong Kong Special Administrative Region (the "**Hong Kong Government**") has continued to increase as compared to that of last year. As a result, the COVID-19 Outbreak has little negative impact on the development of the industry. The principal business of the Group is located in Hong Kong and the Group is mainly engaged in the undertaking of civil engineering projects from departments of the Hong Kong Government and public organisation. During the year ended 31 March 2020, the Group had six ongoing projects. Moreover, the working progress has not been seriously delayed during the period of the COVID-19 Outbreak, therefore such negative economic impact has little effect on the results of the Group for the year. In December 2019, the Group was awarded by Civil Engineering and Development Department ("**CEDD**") a site formation works project for the development of nature park in Long Valley and Fanling ("**Project W57**"), with a contract sum of approximately HK$236,000,000. Project W57 involved the development of a 37-hectare nature park at Long Valley with other ecological mitigation and enhancement works. The project commenced on 19 December 2019 and is expected to last for three years. During the year ended 31 March 2020, there were six submitted tenders, the results of which have not been announced. In June 2020, the Group participated in a tender of site formation works in relation to the first phase development of the new development areas in Fanling North which is expected to commence in September 2020. The result of the tender has not been published yet.

The results of the Group during the year reached record high. For the year ended 31 March 2020, the revenue of the Group was approximately HK$515,600,000 (2019: approximately HK$434,700,000), representing an increase of approximately 18.6% over last year; and the profit of the Group for the year was approximately HK$48,000,000 (2019: approximately HK$41,000,000), representing an increase of approximately 17.0% over last year. The main reasons for the increases in revenue and profit for the year were that a number of works projects reached peak period and additional works of approximately HK$100 million was obtained from site formation works project in Lok Ma Chau Loop ("**Project W56**") during the year and the progress of ordinary works was accelerated during the year.

Looking forward, we expect expenditure on infrastructure of Hong Kong Government to continue to grow, which will benefit civil engineering works industry. The Group will capitalise its advantages after listing to improve its own competitiveness to sure more opportunities for wining bidding, and to actively participate in bidding for works of Hong Kong Government to expand project revenue. The Group remains civil engineering works business as its core and will participate in bidding for civil engineering works with larger scale. In the meantime, the Group will also explore various chances in construction industry to create greater value for shareholders.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and business partners for their full trust and support in 2020, as well as staff for their efforts and contributions. I hope we can join hands and create a better future together.

Lai Wai
Chairman

Hong Kong, 26 June 2020

BUSINESS REVIEW AND FINANCIAL RESULTS

The Group is an established main contractor with over 20 years of experience specialising in a variety of civil engineering works, including site formation, road and bridge construction, drainage and sewerage construction, water main installation and slope works in Hong Kong. We are a Group C contractor under the Site Formation and Roads and Drainage categories with confirmed status and are qualified to tender for public works contracts of any values exceeding HK$300 million.

For the year ended 31 March 2020, the Group's revenue was approximately HK$515.6 million (2019: approximately HK$434.7 million), an increase of 18.6% as compared with last year. The profit attributable to shareholders for the year ended 31 March 2020 was approximately HK$48.0 million while the profit for the year ended 31 March 2019 was approximately HK$41.0 million, representing an increase of 17.0%, which was mainly due to increase in revenue from civil engineering works of on-going projects.

Analysis of revenue of each project during the year ended 31 March 2020 was as follows:

Project Code	Type of works	Location	2020 HK$'000	2019 HK$'000
On-going projects				
W49	Construction of sewers and sewerage system	Tuen Mun District	70,101	81,297
W52	Remaining works of cycle tracks	North District and Tuen Mun District	126,336	167,743
W54	Temporary construction waste sorting facilities	Sai Kung District and Tuen Mun District	18,435	56,779
W55	Development of columbarium and infrastructural works	North District	61,570	40,642
W56	Land decontamination and advance engineering works	North District	205,924	65,922
W57	Development of Long Valley Nature Park	North District	31,107	–
Projects completed or substantially competed				
W45	Reprovisioning of a road and associated security facilities and drainage works	North District	–	1,552
W47	Site formation and infrastructure works	North District	–	11,410
W48	Construction of cycle tracks	North District and Tuen Mun District	261	7,799
W50	Construction of temporary parking area	Islands District	–	1,345
W51	Enhancement of foreign object debris fence in airfield	Island District	–	228
W53	Construction of taxiway and connection works	Island District	1,826	–
Total revenue			515,560	434,717

During the year ended 31 March 2020, we recognised revenue from 8 projects in total, of which one project was completed. In December 2019, we were awarded a new site formation works project, Project W57, by CEDD. The revenue for the year ended 31 March 2020 was increased as compared with last year since most of our on-going projects were entering into peak period of its ordinary works, especially for Projects W49, W52 and W56.

The gross profit margin for the year ended 31 March 2020 was 15.0% (2019: 15.2%). Slightly decrease in gross profit margin as compared with last year was due to increase in price of construction materials and supplies and subcontracting charges.

Other income and net gain for the year ended 31 March 2020 was amounting to approximately HK$4.4 million (2019: approximately HK$4.2 million), representing an increase of 6.4% as compared with last year, which was due to increase in compensation from insurance for an employee's injury case.

Administrative and operating expenses for the year ended 31 March 2020 were amounting to approximately HK$9.8 million (2019: approximately HK$8.4 million), representing an increase of 16.2% as compared with last year, which was mainly due to increase in depreciation and other related expenses as being a listed company.

At 31 March 2020, prepayments, deposits and other receivables mainly represented amounts paid for insurance prepayment, deposits for material purchases, deposits for rental and utilities and other receivables. Other receivables increased from approximately HK$16.9 million as at 31 March 2019 to approximately HK$51.3 million as at 31 March 2020, which was primarily due to Project W49, Project W52, Project W55 and Project W56, mainly for the payment on behalf of subcontractors for the labour costs for workers and administrative staff and the costs of the construction materials. Since the progress of the Project W55 and W56 were accelerated in the first quarter of 2020, its related contra charges paid on behalf of the subcontractors were increased in line with the accelerated progress.

Due to the recent outbreak of novel coronavirus (COVID-19) in Hong Kong since January 2020, we have implemented the following measures advised by the Development Bureau of the government of Hong Kong in relation to resumption of construction works after the Chinese New Year holiday:

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

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

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

– mandatory travel reporting and for those who return from the PRC shall be quarantined for 14 days;

– maintaining environmental hygiene and cleanliness of works sites; and

– placing health education materials on novel coronavirus at prominent areas of office and works sites.

Apart from the above measures, we also closely monitored the situation of our suppliers and subcontractors. Our employees and subcontractors have also resumed work after the Chinese New Year holidays. Directors confirm that, there has not been any material delay on the work progress or suspension of any of our ongoing projects and no material impact on the Company's operation and financial performance as a result of the recent outbreak of novel coronavirus as at the date of this annual report. In the event of potential delay caused to our ongoing projects, according to the communications with our customers, extension of time will be granted.

Directors also confirm that, since 31 March 2020 and up to the date of this annual report, there was no material adverse change in the trading and financial position of the Group and no event had occurred that would materially and adversely affect the financial information shown in this annual report.

OUTLOOK

Looking forwards, civil engineering works market in Hong Kong is mainly driven by the ongoing and planned major infrastructure projects. We expect that the Government budget of expenditure on infrastructure will increase in the forthcoming few years.

Among the 10 major infrastructure projects, we have secured the first site formation works project in Lok Ma Chau Loop, Project W56, where the Government has reserved HK$20 billion for the first phase development of Hong Kong-Shenzhen Innovation and Technology Park and intends to develop a multi-functional area comprising commercial, community and conservation land users, according to the Hong Kong Government's development plan.

We expect expenditure on infrastructure of the Hong Kong Government to continue to grow, which will benefit civil engineering works industry. The Group will capitalise its competitive advantages after listing to secure more projects, and to actively participate in bidding for works of the Hong Kong Government to achieve increase revenue. Civil engineering works will continue to be the core business of the Group and we will continue submitting tenders for civil engineering works of larger scale. In the meantime, the Group will also explore various chances in construction industry to create greater value for shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The uses of cash of the Group are mainly for the financing of the operations and working capital requirements. The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers. As at 31 March 2020, the Group had cash and cash equivalents of approximately HK$172.2 million (2019: approximately HK$101.2 million) and pledged bank deposit of approximately HK$8.3 million (2019: approximately HK$4.1 million). The increase of approximately HK$71.0 million in cash and cash equivalents was mainly attributable to the net proceeds from the Share Offer. All of the bank balances were placed with banks in Hong Kong and are denominated in Hong Kong dollars. As at 31 March 2020, the Group had not experienced any liquidity problems in settling its payables in the normal course of business.

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 17 March 2020. There has been no change in the capital structure of the Company since the date of listing and up to the date of this annual report. The capital of the Group only comprises of ordinary shares. As at 31 March 2020, the total number of issued ordinary shares of the Company was 1,000,000,000 of HK$0.01 each.

GEARING RATIO

As at 31 March 2020, the Group's gearing ratio was approximately 0.5% (2019: approximately 1.1%). The gearing ratio is calculated by dividing lease liabilities (2019: obligations under finance leases) by total equity and expressed as a percentage. With available bank balances and cash, the directors of the Company are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

TREASURY POLICY

The directors of the Company will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were denominated in Hong Kong dollars. There was no exposure to foreign exchange rate fluctuations. As such, no hedging or other arrangements was made by the Group during the years ended 31 March 2020 and 2019.

SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2020, the Group did not have any significant investments. Save as those disclosed in the prospectus of the Company dated 28 February 2020 (the "**Prospectus**"), there was no plan for any material investments or other additions of capital assets at the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2020.

PLEDGE OF ASSETS

As at 31 March 2020, the Group pledged its bank deposits of approximately HK$8.3 million (2019: approximately HK$4.1 million) as securities for the Group's banking facilities (including letter of credit, bank overdrafts and performance bonds). As at 31 March 2020, certain motor vehicles with carrying amount of approximately HK$370,000 (2019: approximately HK$2.3 million) were held under finance leases.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities.

As at 31 March 2019, a customer of construction contracts undertaken by the Group requires the Group to issue guarantees for the performance of contract works in the form of performance bonds and secured by pledged bank deposits. As at 31 March 2019, the Group had outstanding performance bonds of approximately HK$1.6 million which has been released during the year ended 31 March 2020.

CAPITAL COMMITMENTS

As at 31 March 2020 and 2019, the Group did not have any material capital commitments.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 274 employees (2019: 303) who were directly employed by the Group in Hong Kong. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK$86.0 million for the year ended 31 March 2020 (2019: approximately HK$76.7 million).

The remuneration package the Group offered to the employees includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. Share options are also available to the Group's employees. The Group provides various types of trainings to the employees and sponsor the employees to attend various training courses, including those on occupational health and safety in relation to the works. Such training courses include the internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council. The safety officers also provide training to the workers before commencement of works.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer were approximately HK$79.8 million after deducting the listing expenses of approximately HK$45.2 million. The net proceeds will be used for the purposes in accordance with the future plans as set out in the Prospectus. Up to 31 March 2020, none of the net proceeds has been utilised.

The directors (the "**Directors**") of Sang Hing Holdings (International) Limited (the "**Company**") have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and joint operations are the provision of civil engineering works in Hong Kong. Particulars of the subsidiaries of the Company and the Group's joint operations are set out in notes 35 and 36 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49 of this annual report.

DIVIDEND

The board of Directors (the "**Board**") has recommended the payment of a final dividend of HK$0.01 per ordinary share for the year ended 31 March 2020 (2019: Nil). Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on 30 September 2020 to shareholders of the Company whose names appear on the register of members of the Company on 14 September 2020.

A dividend of HK$10,000,000 was declared by the Company during the year ended 31 March 2020 which has been paid to its shareholders in February 2020.

During the year ended 31 March 2019, Sang Hing Civil Contractors Company Limited, a wholly-owned subsidiary of the Company declared and paid dividends of HK$30,000,000 to its shareholders.

DIVIDEND POLICY

The Company's dividend policy aims to allow shareholders of the Company to share the Company's profit and for the Company to retain adequate reserves for future growth. In recommending dividend, the Company would consider various factors including the Group's financial results; the general financial condition of the Group; the Group's current and future operations; the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants; liquidity position and capital requirement of the Group; surplus received from the Company's subsidiaries; general market conditions; and any other factors that the Board deem appropriate.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the forthcoming annual general meeting

For determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company ("**AGM**") to be held on Friday, 4 September 2020, the register of members of the Company will be closed from Tuesday, 1 September 2020 to Friday, 4 September 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 31 August 2020.

To qualify for the proposed final dividend

For determining the shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 10 September 2020 to Monday, 14 September 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 9 September 2020.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Group's business are provided in the section headed "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 6 to 10 of this annual report.

RISKS AND UNCERTAINTIES

There are certain risks involved in the Group's business operations. Some of the relatively material risks include (i) the Group's business operates under various registrations, licences and certifications and the loss of or failure to obtain or renew any or all of these registrations, licences and/or certifications could materially and adversely affect the Group's business; (ii) the Group relies on public sector projects awarded by the government of Hong Kong during the past years; (iii) the Group's business is non-recurring in nature and the Group is subject to the risks associated with competitive tendering process; (iv) the Group relies on subcontractors to help complete the civil engineering works projects, and their performance will affect the Group; (v) error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by the Group; and (vi) an occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse on the business, financial condition and results of operations.

In addition, various financial risks have been disclosed in note 6 to the consolidated financial statements.

AN ANALYSIS USING FINANCIAL KEY PERFORMANCE INDICATORS

An analysis of the Group's performance during the year ended 31 March 2020 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 6 to 10 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and the development of the society. The Group has established a sustainable development committee to identify material environmental, social and governance matters through review and assessment of internal operations, and determine the importance of such matters to the Group's business and the Company's stakeholders. Details of the Group's development, performance and operation in the environmental aspect will be set out in the Environmental, Social and Governance Report ("**ESG Report**") to be published within 3 months from the publication of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Group's employees are one of its most important assets and it is committed to providing them with a fair and safe, healthy and happy work environment that is conducive to personal growth and career development. The Group provides various types of trainings to the employees and sponsors its employees to attend various training courses, including those on occupational health and safety in relation to the works. The remuneration package the Group offered to the employees includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of the employees, which forms the basis of the decisions with respect to salary raises, bonuses and promotions.

The Group has established stable business relationship with its customers who are departments of the government of Hong Kong. Furthermore, The Group has also established stable business relationship with its major suppliers with over one year in general. The Directors believe that the Group's long-term relationship with the customers and major suppliers reflects positively on the Group as a valued working party to their projects.

The Group will engage subcontractors to carry out certain part of the works. While the Group has not entered into any long-term agreement with the subcontractors, it engages them on project basis. Nevertheless, the Director believe that the Group has maintained good relationship with its key subcontractors.

More information concerning the employees, customers, suppliers and subcontractors of the Group will be set out in the ESG Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. During the year ended 31 March 2020, the Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of Group.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity on page 52 and note 29(b) to the consolidated financial statements.

Distributable reserves of the Company as at 31 March 2020, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$92.3 million (2019: HK$Nil).

TAX RELIEF

The Directors are not aware of any relief from taxation available to the shareholder of the Company by reason of their holding of the shares of the Company.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed under the heading of "Share Option Scheme" below and in note 30 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

FIXED ASSETS

Details of the movements during the year ended 31 March 2020 in property, plant and equipment and right-of-use assets are set out in notes 17 and 26(a) to the consolidated financial statements, respectively.

SHARES ISSUED

Details of the movements in share capital of the Company during the year are set out in note 29(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 118 of this annual report.

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

During the period from 17 March 2020 (the "**Listing Date**") to 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

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

Executive Directors:

Mr. Lai Wai *(Chairman)*
Mr. Lai Ying Wah
Mr. Lai Ying Keung

Non-executive Directors:

Mr. Fung Chi Kin

Independent non-executive Directors:

Mr. Cheung Wai Kwok Gary
Professor Leung Yee Tak
Mr. Zhang Senquan
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

Briefed biographical details of the Directors as at the date of this report are set out in the section headed "Biographical Details of Directors, Senior Management and Company Secretary" of this annual report.

In accordance with 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 retirement at an annual general meeting at least once every three years.

According to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, all Directors will retire and, being eligible, offer themselves for re-election at the forthcoming AGM, being the first annual general meeting of the Company after the Listing.

Emoluments of the Directors and the five highest paid individuals

Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in notes 13 and 14 to the consolidated financial statements, respectively.

The emoluments of the Directors are subject to review by the remuneration committee of the Company. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below and in note 30 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

The non-executive Director has entered into a service agreement with the Company for a term of two years commencing from the Listing Date, which may be terminated by giving at least three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of two years commencing from the Listing Date, provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

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

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in the section "Continuing Connected Transactions and Related Party Transactions" below and in note 33 to the consolidated financial statements, no other transactions, arrangements and contracts of significance to which the Company's subsidiaries or its parent company was a party and in which a director of the Company and an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Save as disclosed in the section "Continuing Connected Transactions and Related Party Transactions" below, no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their respective subsidiaries during the year ended 31 March 2020.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in the paragraph headed "Share Option Scheme" below, at no time during the period from the Listing Date and up to 31 March 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares, or debt securities, including debentures, of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange** ") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

(i) Long position in the issued ordinary shares of the Company (the "Shares")

Name of Director	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Mr. Lai Wai	Interest in a controlled corporation *(Note 1)*	600,000,000	60.0%
Mr. Lai Ying Wah	Interest in a controlled corporation *(Note 2)*	75,000,000	7.5%
Mr. Lai Ying Keung	Interest in a controlled corporation *(Note 3)*	75,000,000	7.5%

Notes:

1. Mr. Lai Wai directly holds the entire issued share capital of Worldwide Intelligence Group Limited ("**Worldwide Intelligence**") and is therefore deemed to be interested in the same number of Shares in which Worldwide Intelligence is interested.

2. Mr. Lai Ying Wah directly holds the entire issued share capital of Pride Success Development Corporation (the "**Pride Success**") and is therefore deemed to be interested in the same number of Shares in which Pride Success is interested.

3. Mr. Lai Ying Keung directly holds the entire issued share capital of United Progress Holdings Corporation ("**United Progress**") and is therefore deemed to be interested in the same number of Shares in which United Progress is interested.

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

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of shareholding
Mr. Lai Wai	Worldwide Intelligence	Beneficial owner	1	100%
Mr. Lai Ying Wah	Pride Success	Beneficial owner	1	100%
Mr. Lai Ying Keung	United Progress	Beneficial owner	1	100%

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2020, the following person (other than the Directors or chief executive of the Company the interests of which were disclosed above) or corporation had interest or short position in the Shares which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Long position in the Shares

Name of substantial shareholder	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Worldwide Intelligence	Beneficial owner	600,000,000	60.0%
Pride Success	Beneficial owner	75,000,000	7.5%
United Progress	Beneficial owner	75,000,000	7.5%
Ms. Dun Xin Chun *(Note 1)*	Interest of spouse	600,000,000	60.0%
Ms. Law Oi Fong Grace *(Note 2)*	Interest of spouse	75,000,000	7.5%
Ms. Chan Lai Fong *(Note 3)*	Interest of spouse	75,000,000	7.5%

Notes:

1. Ms. Dun Xin Chun is cohabiting with Mr. Lai Wai as spouse. By virtue of the SFO, Ms. Dun Xin Chun is deemed, or taken to be, interested in all the Shares in which Mr. Lai Wai is deemed to be interested.

2. Ms. Law Oi Fong Grace is the spouse of Mr. Lai Ying Wah. By virtue of the SFO, Ms. Law Oi Fong Grace is deemed, or taken to be, interested in all the Shares in which Mr. Lai Ying Wah is deemed to be interested.

3. Ms. Chan Lai Fong is the spouse of Mr. Lai Ying Keung. By virtue of the SFO, Ms. Chan Lai Fong is deemed, or taken to be, interested in all the Shares in which Mr. Lai Ying Keung is deemed to be interested.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any person (other than the Directors and the chief executive of the Company) who has an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

On 29 January 2020, the then shareholders of the Company approved and conditionally adopted a share option scheme (the "**Share Option Scheme**").

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and there was no share option outstanding as at 31 March 2020.

The following is a summary of the principal terms of the Share Option Scheme.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions by Proposed Grantee (as defined in sub-paragraph (b) below) to the Company and the subsidiaries or invested entity and associated companies of the Company. By providing them with the opportunity to acquire equity interests in the Company, the Share Option Scheme aims to achieve the following objectives:

(i) attract skilled and experienced personnel, to incentivise them to remain with the Company or its subsidiaries or any entity in which any member of the Group holds any equity interest ("**invested entity**") (as the case may be) and to give effect to the Company's customer-focused corporate culture, and to motivate them to think as shareholders of the Company and strive for the future development and expansion of the Company and its subsidiaries or invested entity; and

(ii) attract and retain or otherwise maintain ongoing business relationships with suppliers and customers whose contributions are or will be beneficial to the long-term growth of the Company.

(b) Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to the following persons (collectively, "**Proposed Grantee**"):

(i) employee (whether full time or part time, and for the purposes of the Share Option Scheme also includes any executive Director, non-executive Directors (including independent non-executive Director) of the Company or any of its subsidiaries or invested entity (collectively, "**Employee**");

(ii) any advisor, consultant, supplier, customer or agent to the Company or any of its subsidiaries or invested entity provided that (i) such advisor, consultant, supplier, customer or agent provides bona fide services to or conduct business with the Company or any of its subsidiaries or invested entity, (ii) the services provided by or business with the advisor, consultant, supplier, customer or agent are not in connection with the offer or sale of securities in a capital-raising transaction of the Company and (iii) such advisor, consultant, supplier, customer or agent, or the services provided or the business conducted, do not directly or indirectly make a market for the Company's securities (collectively, "**third party contributor**"),

provided that no prospectus is required to be issued in connection with such grant under the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any other applicable laws. The Board may in its absolute discretion specify such conditions (if any) as it thinks fit when making such offer to the Proposed Grantee, including, without limitation and notwithstanding sub-paragraph (i), as to performance criteria to be satisfied by the Proposed Grantee and/or the Company before an option can be exercised.

(c) Maximum number of Shares available for issue

No share option has been granted under the Share Option Scheme as at the date of this annual report.

The total number of Shares available for issue under the Share Option Scheme is 100,000,000, representing approximately 10% of the Company's total number of issued shares as at the date of this annual report. The Company has 1,000,000,000 shares in issue as at the date of this annual report.

(d) Maximum entitlement of each individual and connected persons

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of this 1% limit will be subject to the approval of the shareholders of the Company in general meeting.

The independent non-executive Directors (excluding any independent non-executive Director who is a Proposed Grantee of the option(s)) will be required to approve each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates. If a grant of options to a substantial shareholder of the Company or an independent non-executive Director, or their respective associates, will result in the total number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the issued share capital of the Company from time to time; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK$5 million,

such further grant of options will be required to be approved by the shareholders of the Company in general meeting.

(e) Acceptance of an offer of options

An offer shall be accepted by the Proposed Grantee within 30 days from the date of the offer of grant of the option. A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option.

(f) Exercise price

The exercise price in respect of any option shall be such price as determined by the Board and notified to any Grantee (subject to any adjustment made in accordance with the Share Option Scheme) and shall be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for a board lot on the option offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for a board lot for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

(g) Time of vesting and exercise of options

Subject to sub-paragraph (b), and unless otherwise determined by the Board and stated in the offer to a Proposed Grantee, no performance criteria are to be satisfied by a Proposed Grantee and/or the Company before the exercise of an option granted to him.

A Proposed Grantee may exercise his option in whole or in part (but, if in part, only in respect of a board lot or any integral multiple thereof) by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares to be subscribed. Each such notice must be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance, the Company will allot and issue the relevant Shares to the Proposed Grantee credited as fully paid and issue to the Proposed Grantee a share certificate in respect of the Shares so allotted.

Subject to any early vesting of options pursuant to Share Option Scheme, all options granted under the Share Option Scheme will be subject to a vesting period of up to ten years to be determined with respect to each Proposed Grantee by the Board at the time of grant of the relevant option and stated in the offer to a Proposed Grantee. In the absence of such requirements, a Proposed Grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme shall remain in force until 17 March 2030.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of significant related party transactions entered by the Group in the normal course of business during the year ended 31 March 2020 are set out in note 33 to the consolidated financial statements.

Reference is made to the prospectus of the Company dated 28 February 2020 in relation to a tenancy agreement (the "**Tenancy agreement**") entered between a member of the Group as the tenant and Mr. Lai Wai, the executive Director and the controlling shareholder of the Company, as the landlord in respect of the office premises since April 2019.

Based on the terms of the Tenancy Agreement, the annual cap for the rental for each of the years ended 31 March 2020, 2021 and 2022 shall not exceed HK$180,000, respectively. The aggregate rental paid by the Group pursuant to the Tenancy Agreement for the year ended 31 March 2020 amounted to HK$180,000.

As Mr. Lai Wai is the controlling shareholder of the Company and a connected person of the Company, the Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios for the transaction under the Tenancy Agreement is less than 0.1%, such transaction constitutes *de minimis* transaction under Rule 14A.76(1)(a) of the Listing Rules and as such, was fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2020, the Group's customers were departments of the government of Hong Kong, namely Civil Engineering and Development Department ("**CEDD**") and The Drainage Services Department, and a customer, a statutory body which is responsible for the operation and development of a public transportation terminal in Hong Kong. For the year ended 31 March 2020, the three customers of the Group accounted for 100% (2019: 100%) of the total revenue of the Group while the largest customer, namely CEDD, accounted for approximately 86.1% (2019: 80.6%) of the total revenue of the Group.

The suppliers principally included the suppliers of construction materials and subcontractors. For the year ended 31 March 2020, the five largest suppliers of the Group accounted for approximately 70.5% (2019: 69.1%) of the total purchases of the Group while the largest suppliers accounted for approximately 41.0% (2019: 52.4%) of the total purchases of the Group.

To the best of the knowledge of the Directors, none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares throughout the period from the Listing Date to the date of this annual report.

RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 25 to 34 of this annual report.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the year.

The Company has received annual confirmations from the controlling shareholders, Mr. Lai Wai and Worldwide Intelligence, in respect of their compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that Mr. Lai Wai and Worldwide Intelligence have complied with the non-competition undertaking since the Listing Date up to the date of this report.

AUDITOR

The consolidated financial statements have been audited by HLB Hodgson Impey Cheng Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

Lai Ying Keung
Executive Director
Hong Kong, 26 June 2020

CORPORATE GOVERNANCE PRACTICES

Sang Hing Holdings (International) Limited (the "**Company**", together with its subsidiaries, the "**Group**") recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company has adopted various measures to ensure the high standard of corporate governance is maintained.

The Board is of the opinion that the Company has complied with the code provisions of the CG Code throughout the period from 17 March 2020 (the "**Listing Date**") to 31 March 2020.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the Model Code during the period from the Listing Date to 31 March 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the period from the Listing Date to 31 March 2020.

BOARD OF DIRECTORS

The Board currently consists of nine Directors, comprising three executive Directors, one non-executive Director and five independent non-executive Directors.

Executive Directors:

Mr. Lai Wai *(Chairman)*
Mr. Lai Ying Wah
Mr. Lai Ying Keung

Non-executive Directors:

Mr. Fung Chi Kin

Independent non-executive Directors:

Mr. Cheung Wai Kwok Gary
Professor Leung Yee Tak
Mr. Zhang Senquan
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

To the best knowledge of the Board, other than Mr. Lai Wai, Mr. Lai Ying Wah and Mr. Lai Ying Keung are brothers, there is no financial, business, family or other material or relevant relationship between the members of the Board. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Senior Management and Company Secretary" in this annual report.

The main functions of the Board include approving of the overall business plans and strategies, monitoring the implementation of such plans and strategies and the management of the Group. The Board acts collectively by majority decisions in accordance with the articles of association of the Company (the "**Articles of Association**") and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board. The management shall provide members of the Board and committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Group and to better facilitate the discharge of their duties. The management team is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the day-to-day operation of the Group.

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code, which are summarised as follows:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to the Directors and employees; and

(e) to review the Company's compliance with the CG Code and disclosures in the corporate governance report.

Chairman and chief executive

The roles of chairman and chief executive officer of the Company are held separately by Mr. Lai Wai and Mr. Au Chun Wing, respectively.

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Group's business.

The separation of duties of the chairman and chief executive officer of the Company ensures a clear distinction between the chairman's responsibility for running the Board and the chief executive officer's responsibility for running the Group's business.

Independent non-executive Directors

The Company has five independent non-executive Directors who comprise more than one-third of the Board. Two independent non-executive Directors possess professional accounting qualifications.

The Company has received an annual confirmation from each of the independent non-executive Directors confirming independence under Rule 3.13 of the Listing Rules. The nomination committee of the Company (the "**Nomination Committee**") has assessed the independence of each of the independent non-executive Directors and the Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent in accordance with terms of the guidelines.

Appointment and re-election of Directors

All executive Directors are appointed for a specific term of three years. All non-executive Directors (including the independent non-executive Directors) are appointed for a specific term of two years.

Under the Articles of Association, every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years at the Company's annual general meeting ("**AGM**"). Any Director appointed by the Board is subject to re-election by shareholders of the Company at the next AGM following his or her appointment. Directors who are subject to retirement and re-election at the forthcoming AGM are set out in "Report of the Directors" in this annual report.

Nomination policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders of the Company for election as Directors at general meetings or appoint as Directors to fill casual vacancies. In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including, educational background, professional experience, skills, knowledge, personal qualities and the benefit of diversity as set out under the Board Diversity Policy. The Nomination Committee would also take into account whether the candidate can demonstrate his/her commitment, competence and integrity required for the position, and in case of independent non-executive Directors, the independence requirements under the Listing Rules and their time commitment to the Company. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Board diversity policy

The Board has adopted a board diversity policy on 29 January 2020 which sets out the approach by which the Board could achieve a higher level of diversity. In summary, such policy sets out that when considering the nomination and appointment of a director, with the assistance of the Nomination Committee, the Board would consider a number of factors, including but not limited to the age, gender, skills, length of service, professional experience and qualifications, cultural and educational background of the prospective candidate. The ultimate decision of the appointment will be based on merit and the contribution which the prospective candidate would bring to the Board. All Board appointments will be considered against objective criteria, having due regard to the benefits of diversity on the Board in order to best serve the shareholders and other stakeholders going forward. As gender diversity is one of the objectives of the board diversity policy, while as at the date of this report, the majority of the Board is comprised of male directors, to implement the board diversity policy, the Nomination Committee will review the composition of the Board and actively identify suitable female candidates in its annual review. The Company will endeavour to appoint female directors in the market should the Nomination Committee find suitable candidates after considering their backgrounds and experience.

The Board comprises of nine members, including three executive Directors, one non-executive Director and five independent non-executive Directors. The Directors obtained degrees in various majors including business administration, international business management, economics, science and mechanical engineering. All the executive Directors possess extensive experience in management and civil engineering industry. Mr. Fung Chi Kin, the non-executive Director has over 18 years of experience in banking and finance. The independent non-executive Directors possess extensive knowledge and experience in finance and banking, civil engineering as well as accounting and auditing. Professor Leung Yee Tak, one of the independent non-executive Directors, has over 40 years of tertiary level teaching experience in civil engineering field. Mr. Zhang Senquan and Ms. Tsang Wing Kiu, both are the independent non-executive Directors, have over 12 years and 22 years of experience in accounting, finance and auditing, respectively. Furthermore, the Board has a wide range of age, ranging from 43 years old to 71 years old. Taking into account the existing needs of the Company, the combination of the Board would bring about the necessary balance of skills and experience appropriate for the requirements of the business development of the Company.

The Nomination Committee will monitor the implementation of the board diversity policy from time to time to ensure its continual effectiveness.

Board and general meetings

During the period from the Listing Date to 31 March 2020, no Board meeting was held. Subsequent to the year ended 31 March 2020 and up to the date of this report, the Board held a meeting to approve, amongst other matters, the audited consolidated financial statements of the Group for the year ended 31 March 2020. All Directors attended the meeting.

During the period from the Listing Date to the date of this report, the Company did not convene an annual general meeting.

Training, induction and continuing development of Directors

Prior to the Listing Date, all Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary. The Company will continue to arrange and fund the training in accordance with code provision A.6.5 of the CG Code.

According to the records of the Company, for the year ended 31 March 2020, all Directors have received the following training, the emphasis of which were on the roles, functions and duties of directors of companies listed on the Stock Exchange, in order to comply with the relevant requirements under the CG Code in relation to continuous professional development of directors:

	Attending training courses/ briefing/seminars	Reading materials relevant to the duties of Directors
Executive Directors		
Mr. Lai Wai	✔	✔
Mr. Lai Ying Wah	✔	✔
Mr. Lai Ying Keung	✔	✔
Non-executive Directors		
Mr. Fung Chi Kin	✔	✔
Independent non-executive Directors		
Mr. Cheung Wai Kwok Gary	✔	✔
Professor Leung Yee Tak	✔	✔
Mr. Zhang Senquan	✔	✔
Mr. Ho Tai Tung	✔	✔
Ms. Tsang Wing Kiu	✔	✔

BOARD COMMITTEES

The Board has established four board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Sustainable Development Committee, to assist it in carrying out its responsibilities.

Each of the Board Committees has defined duties and responsibilities set out in their respective terms of reference. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee consists of five members, namely, Mr. Cheung Wai Kwok Gary, Professor Leung Yee Tak, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Zhang Senquan is the chairman of the Audit Committee. The Board is satisfied that the Audit Committee members collectively possess adequate financial experience to properly perform its duties and responsibilities. Mr. Zhang Senquan and Ms. Tsang Wing Kiu hold professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in their biographies in "Biographical Details of Directors, Senior Management and Company Secretary" in this annual report.

The primary duties of the Audit Committee are (i) to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (c) to oversee the Company's financial reporting, risk management and internal control systems and (d) to monitor continuing connected transactions (if any).

During the period from the Listing Date to 31 March 2020, no Audit Committee meeting was held. Subsequent to the year ended 31 March 2020 and up to the date of this report, two Audit Committees meetings were held (i) to discuss with the Company's external auditor the audit plan and approve the fee for annual audit for the year ended 31 March 2020 and recommend the re-appointment of the Company's external auditor; (ii) to review the Company's external auditor's independence and its report; (iii) to review the audited consolidated financial statements for the year ended 31 March 2020; and (iv) to review the effectiveness of the Company's risk management and internal control systems. All members of the Audit Committee attended the meetings.

Remuneration Committee

The Remuneration Committee consists of four members, namely, Mr. Cheung Wai Kwok Gary, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Cheung Wai Kwok Gary is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review other remuneration-related matters, including benefits-in-kind and other compensation payable to the Directors and senior management, and review performance-based remunerations.

During the period from the Listing Date to 31 March 2020, no Remuneration Committee meeting was held. Subsequent to the year ended 31 March 2020 and up to the date of this report, one Remuneration Committees meeting was held to review the remuneration policy for the Directors and senior management. All members of the Remuneration Committee attended the meeting.

The remuneration of the members of the senior management of the Group excluding the Directors by band for the year ended 31 March 2020 is set out below:

Remuneration band	Number of individuals
HK$nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	2

Details of the emoluments of the Directors for the year ended 31 March 2020 are set out in note 13 to the consolidated financial statements in this annual report.

Nomination Committee

The Nomination Committee consists of four members, namely, Mr. Lai Wai (executive Directors), Professor Leung Yee Tak, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Lai Wai is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

During the period from the Listing Date to 31 March 2020, no Nomination Committee meeting was held. Subsequent to the year ended 31 March 2020 and up to the date of this report, one Nomination Committees meeting was held to review the structure, size and composition of the existing Board, assess the independence of the independent non-executive Directors and make recommendations to the Board for putting forward Directors, who were subject to retirement, for re-appointment at the forthcoming AGM. All members of the Nomination Committee attended the meetings.

Sustainable Development Committee

The Sustainable Development Committee consists of four members, namely, Mr. Fung Chi Kin (non-executive Directors), Professor Leung Yee Tak, Mr. Zhang Senquan and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Fung Chi Kin is the chairman of the Sustainable Development Committee.

The primary duties of the Sustainable Development Committee are to identify material environmental, social and governance matters through review and assessment of internal operations, and determine the importance of such matters to the Group's business and the Company's stakeholders.

During the period from the Listing Date to the date of this report, no Sustainable Development Committee meeting was held.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group. In preparing the financial statements for the year ended 31 March 2020, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgements and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditors' Report" of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 March 2020, the fees paid/payable by the Group to HLB Hodgson Impey Cheng Limited for their audit and non-audit services are analysed below:

Services rendered	**Fees paid/ payable** *HK$'000*
Audit services – audit fee for the year ended 31 March 2020	900
Audit service fees for initial public offer	3,300
Non-audit services (included service for initial public offer and tax filing services)	170

RISK MANAGEMENT AND INTERNAL CONTROL

The management identified and evaluated the significant risks relevant to the Group based on their experience in the business environment. They regularly met with frontline employees and continuously monitored business performance comparing to operational plan and financial forecasts. The risk management and internal control systems are in place to cope with potential risk in different areas including liquidity, fraud and financial reporting, operational and compliance risks.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. Nevertheless, the Company engaged an independent consultancy firm (the "**Adviser**") to conduct review of the effectiveness of the risk management and internal control systems of the Group. The Adviser has reported findings and areas for improvement to the management and Audit Committee, which then reviewed and reported the same to the Board. The Board and Audit Committee are of the view that there are no material internal control defeats noted. The Board considered that the risk management and internal audit control system are effective and adequate.

Inside information policy

The Company adopted a policy and procedure on disclosure of inside information (the "**Inside Information Policy**") setting out the Group's procedure in handling such information to ensure its equal and timely dissemination to comply with the requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules. The designated departments monitor the Inside Information Policy and assess the nature and materiality of relevant information and determine appropriate actions. The Group will provide appropriate training to officers and employees likely to be in possession of inside information.

COMPANY SECRETARY

The Company secretary of the Company is Ms. Chang Kam Lai ("**Ms. Chang**"). Ms. Chang is a fellow of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. During the year ended 31 March 2020, Ms. Chang undertook no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures to convene an extraordinary general meeting

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 may request the Board to convene an extraordinary general meeting pursuant to the article 58 of the Articles of Association. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s) and deposited at the principal place of business of the Company in Hong Kong (presently at Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong) for the attention of the Board or the company secretary of the Company. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a meeting, but such meeting shall be held within two months after the deposit of requisition.

Procedures by which enquiries may be put to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Other shareholders' enquiries can be directed in writing with contact details (including name, address, telephone number and email address) to the principal place of business of the Company in Hong Kong, presently at Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories,, Hong Kong or by email to info@sang-hing.com.hk.

Procedures for putting forward proposals at a general meeting

Proposals shall be directed in writing with contact details (including name, address, telephone number and email address) to the Company's principal place of business in Hong Kong.

The Board will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The general meetings of the Company provide a platform for communication between the Board and the shareholders. The chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Sustainable Development Committee and or in their absence, other members of the respective committees, are available to answer questions at shareholders' meeting.

The Company maintains a website at www.sang-hing.com.hk where up-to-date information and updates on the Company's business operations and development, financial information and other information are available for public access.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association pursuant to a special resolution passed on 29 January 2020, which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

Hong Kong, 26 June 2020

DIRECTORS

Executive Directors

Mr. Lai Wai（賴偉）("Mr. Lai"), aged 68, is an executive Director and the chairman of the Board. He is also the chairman of the nomination committee of the Company and a director of all subsidiaries of the Company. He joined the Group in August 1990 and has over 28 years of experience in the civil engineering works industry. He is primarily responsible for the overall corporate strategies, management and business development of the Group.

Mr. Lai is the brother of Mr. YW Lai and Mr. YK Lai, both are the executive Directors. He is also a director of Worldwide Intelligence Group Limited, a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Lai Ying Wah（賴英華）("Mr. YW Lai"), aged 62, is an executive Director. He is also a director of all subsidiaries of the Company. He joined the Group in February 1991 and has over 28 years of experience in the civil engineering works industry. He is primarily responsible for the business development, day-to-day operations of site formation projects, and management of plant and machinery of the Group.

Mr. YW Lai is the brother of Mr. Lai and Mr. YK Lai, both are the executive Directors. He is also a director of Pride Success Development Corporation, a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Lai Ying Keung（賴應強）("Mr. YK Lai"), aged 59, is an executive Director. He is also a director of all subsidiaries of the Company. He joined the Group in March 2004 and has over 15 years of experience in the civil engineering works industry. He is primarily responsible for the business development, day-to-day operations of road and drainage works projects, and the overall project management of the Group.

Mr. YK Lai is the brother of Mr. Lai and Mr. YW Lai, both are the executive Directors. He is also a director of United Progress Holdings Corporation, a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Biographical Details of Directors, Senior Management and Company Secretary

Non-executive Directors

Mr. Fung Chi Kin (馮志堅) ("Mr. Fung"), aged 71, is a non-executive Director. He joined the Group on 11 July 2018. He is also the chairman of the sustainable development committee of the Company.

Mr. Fung has over 18 years of experience in banking and finance. He was appointed as deputy general manager of Po Sang Bank Limited from June 1985 to December 1994, and director of the board in March 1986. Po Sang Bank Limited was later merged into the Bank of China Group in Hong Kong as part of the restructuring exercise of the Bank of China Group and changed its name into Bank of China (Hong Kong) Limited in 2001. Mr. Fung continued to act as a director of Bank of China (Hong Kong) Limited until October 2001. He served as the vice chairman of the board and general manager of BOCI Securities Limited (formerly known as Bank of China Group Securities Limited) since January 1995, the vice general manager and director of BOCI Asia Limited and the general manager and director of BOCI Commodities & Futures Limited since October 1998 to his retirement in April 2003, upon which he was appointed as a senior consultant of BOC International Holdings Limited.

Mr. Fung was a vice chairman of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from December 1993 to December 1995, and from December 1996 to December 1997. He was elected as a council member of the First Legislative Council of Hong Kong from October 1998 to July 2000. He was elected as a president (理事長) of The Chinese Gold & Silver Exchange Society in July 2000, and he was subsequently re-elected as a president (理事長) in July 2002. He has been serving as an honourary permanent president (永遠名譽會長) of The Chinese Gold & Silver Exchange Society since July 2004. He was certified as a senior fellow of the Asian College of Knowledge Management in April 2015.

Mr. Fung has been serving as an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited, the shares of which are listed on the Stock Exchange (Stock code: 0682), since September 2003; an independent non-executive director of Geotech Holdings Ltd., the shares of which are listed on the Stock Exchange (Stock code: 1707), since September 2017; an executive director of Loco Hong Kong Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 8162), since June 2019. He was appointed as the executive director and compliance officer of China Trustful Group Limited (formerly known as Powerwell Pacific Holdings Limited), the shares of which are listed on the Stock Exchange (Stock code: 8265), from September 2014 to May 2017 and from March 2019 to October 2019. From August 2017 to April 2019, Mr. Fung served as an independent non-executive director of China Overseas Nuoxin International Holdings Limited (formerly known as Kenford Group Holding Limited), the shares of which are listed on the Stock Exchange (Stock code: 0464).

Independent non-executive Directors

Mr. Cheung Wai Kwok Gary（張為國）("Mr. Cheung"), aged 66, was appointed as an independent non-executive Director on 29 January 2020. He is also the chairman of the remuneration committee of the Company and a member of the audit committee of the Company.

Mr. Cheung has over 38 years of experience in the financial services industry. He was the executive director of Sun Hung Kai & Co. Limited, the chief executive of the Hong Kong Securities Institute, managing director of South China Financial Holdings Limited, chief executive officer（公司總裁）of Tung Shing Securities (Brokers) Limited (currently known as Sinopac Securities (Asia) Limited), the chief executive officer（公司總裁）of Investport (H.K.) Limited, the responsible officer of YF Securities Company Limited, YF Futures Company Limited and YF Asset Management Limited, the chief executive officer of Blackwell Global Investments (HK) Limited. He also served as a committee member of the banking and finance training board of the Vocational Training Council of Hong Kong from April 2017 to March 2019. He has been acting as the chief executive officer of CSL Securities Limited since April 2018.

Mr. Cheung is currently the responsible officers of the Securities and Futures Commission of Hong Kong ("**SFC**") Type 1 (dealing in securities) and Type 4 (advising on securities) of CSL Securities Limited since June 2018. He had also been a responsible officer of SFC Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities of various companies since September 2009.

Mr. Cheung was the vice chairman of the board of directors of the Hong Kong Securities Association Limited for the years of 2011 to 2015. He was subsequently elected as chairman of the board of directors of the Hong Kong Securities Association Limited in November 2017 and subsequently became the permanent honourary president in September 2019. He has been a member of the Steering Committee of the Asian Financial Forum 2018, the chief supervisor（監事會主席）of East Asia Securities Qianhai Securities Limited（東亞前海證券有限責任公司）since October 2017, a board director of the Financial Dispute Resolution Centre since March 2018, a panel member of the Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal in Hong Kong since April 2018 and a senior fellow of the Hong Kong Securities and Investment Institute since September 2014.

Mr. Cheung received a bachelor's degree of arts in business administration from York University in Canada in June 1978. Mr. Cheung received a bachelor's degree of arts (honours) in economics from York University in Canada in June 1979.

Biographical Details of Directors, Senior Management and Company Secretary

Professor Leung Yee Tak (梁以德) ("Professor Leung"), aged 71, was appointed as an independent non-executive Director on 29 January 2020. He is also a member of the audit committee, nomination committee and sustainable development committee of the Company.

Professor Leung has over 40 years of tertiary level teaching experience in the civil engineering field. Professor Leung had been appointed as lecturer, senior lecturer, reader (professor) of the Department of Civil Engineering of the University of Hong Kong from September 1978 to February 1997. He served as a professor of engineering at the University of Manchester in the United Kingdom from February 1997 to June 2007. During his tenure with the University of Manchester, Professor Leung also acted as the head of building and construction of City University of Hong Kong from September 1999 to June 2005. Professor Leung acted as the chair of sustainable construction of City University of Hong Kong from July 2005 to June 2014. He is currently serving as an emeritus professor at City University of Hong Kong since June 2016.

Professor Leung worked as a structural engineer of Ove Arup and Partners London in the United Kingdom from August 1982 to September 1983. He was registered as a European Chartered Engineer in October 1979. He was elected as a member and a fellow of The Royal Aeronautical Society in the United Kingdom in September 1979 and May 1990, respectively. He was admitted as a member and a fellow of the Hong Kong Institution of Engineers in June 1985 and March 2008, respectively. He was elected as an active member of The New York Academy of Sciences in November 1994. He was elected a member of the Institution of Structural Engineers in March 1997. He was appointed as a senior advisor on construction of Benxi City People's Government of Liaoning Province in China (遼寧省本溪市人民政府城市建設高級顧問) in September 2001. He was elected as a fellow of the Royal Institution of Chartered Surveyors in February 2006. He was appointed as a member of the Hong Kong Research Grants Council from July 2008 to June 2010. He was also admitted as a fellow of the Chartered Institute of Building in July 2013. He was elected as a council member and a fellow of the Hong Kong Institution of Certified Auditors in July 2015 and April 2018, respectively. He was appointed as an honourary advisor of the Institute of Safety and Health Practitioners from July 2015 to June 2016. He served as an independent non-executive director of Prosper Construction Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 6816), from June 2016 to October 2018.

Professor Leung obtained a master's degree in science in December 1972 and a doctoral degree of philosophy in mechanical engineering in July 1976 from Aston University (formerly known as the University of Aston in Birmingham) in the United Kingdom. He also obtained a doctoral degree in science from Aston University (formerly known as the University of Aston in Birmingham) in the United Kingdom in July 1995.

Mr. Zhang Senquan（張森泉）("Mr. Zhang"), formerly known as Zhang Min（張敏）, aged 43, was appointed as an independent non-executive Director on 29 January 2020. He is also the chairman of the audit committee and a member of the remuneration committee and sustainable development committee of the Company.

He has over 12 years of professional experience in accounting and auditing. He worked at Deloitte Touche Tohmatsu, KPMG Huazhen and Ernst & Young Hua Ming serving several positions from audit staff to audit partner from October 1999 to November 2012. He is a member of the Chinese Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Mr. Zhang is currently an independent non-executive director of Jiande International Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 0865), since October 2016; an independent non-executive director of Beijing Digital Telecom Co., Ltd., the shares of which are listed on the Stock Exchange (Stock code: 6188), since June 2018; and an independent non-executive director of Natural Food International Holding Limited, the shares of which are listed on the Stock Exchange (Stock code: 1837), since November 2018.

Mr. Zhang was previously appointed as an independent non-executive director of Bonny International Holding Limited, the shares of which are listed on the Stock Exchange (Stock code: 1906), from March 2019 to June 2020; an independent non-executive director of Casablanca Group Limited, the shares of which are listed on the Stock Exchange (Stock code: 2223), from April 2015 to April 2018; and an independent director of Top Choice Medical Investment Co., Inc.*（通策醫療投資股份有限公司）, the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600763SH), from December 2014 to February 2017. He was appointed as the head of strategic development department of Goodbaby International Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 1086), from March 2013 to April 2014. He was also appointed as joint company secretary and chief financial officer of Huazhong In-Vehicle Holdings Company Limited, the shares of which are listed on the Stock Exchange (Stock code: 6830), from May 2014 to July 2015. He was the managing director of Southwest Securities (HK) Brokerage Limited, a subsidiary of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (Stock code: 0812), from February 2016 to March 2020.

Currently, Mr. Zhang is the chief executive officer of Zhong Rui Capital (Hong Kong) Limited since May 2018 and an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. *（江蘇艾迪藥業股份有限公司）since May 2019.

Mr. Zhang obtained a bachelor's degree in economics from Fudan University in China in July 1999.

* *English translated name is for identification purpose only*

Biographical Details of Directors, Senior Management and Company Secretary

Mr. Ho Tai Tung（何大東）("Mr. Ho"), aged 66, was appointed as an independent non-executive Director on 29 January 2020. He is also a member of the audit committee and remuneration committee of the Company.

Mr. Ho has over 40 years of experience in the banking industry, in fields of syndicated loans, corporate financing, non-performing asset management, credit risk management, retail banking, customer relationship management and Chinese-foreign cross-border financing. Mr. Ho served as an officer in a number of branches of Sun Hung Kai Bank Limited from January 1982 to February 1984 and his last position was officer-in-charge in its Wanchai Branch. He served as assistant manager, assistant vice president of the credit administration department and vice president as head of the special assets department at Security Pacific Asian Bank from February 1984 to April 1991. He was appointed as an assistant manager and subsequently an account relationship manager in the credit management department of Standard Chartered Bank from April 1991 to April 1992. He was employed as a manager of commercial banking of Kowloon East Region of Asia Commercial Bank from May 1994 to June 1995. He worked as a relationship manager in trade product marketing of the corporate banking group of Standard Chartered Bank from July 1995 to April 1996. He was employed by Asia Commercial Bank from May 1996 to April 1999. He was employed by United Overseas Bank from November 1999 to May 2003 and his last position was vice president and head of marketing in the credit and marketing department. He served as a senior manager of business development of the Pearl River Delta at Standard Chartered Bank from June 2003 to May 2004. He served as a branch manager of Wing Hang Bank from May 2004 and retired at Shau Kei Wan branch in April 2014. He was a founding director of the Greater China Financial Professionals Association in February 2015, and was subsequently reappointed as its director in 2016.

Mr. Ho was previously elected as a committee member of the Association of Shenzhen Foreign Financial Institutions for the years of 1998 and 1999.

Mr. Ho graduated with a master's degree of arts in comparative and public history at the Chinese University of Hong Kong in November 2016. He obtained a master's degree of arts in international business management and a master's degree in business administration from City University of Hong Kong in November 2000 and November 2001, respectively. During his pursuit of the master's degree in business administration in City University of Hong Kong, he completed a corporate diagnosis（企業診斷）at Binjiang Commercial Building Limited of Tianjin Binjiang Corporation（天津濱江集團濱江商廈有限公司）in August 2001. He also completed a higher certificate course of Chinese commercial law（中國營商法律高等證書課程）jointly organised by the Hong Kong Trade Development Council and Hong Kong Institute of Asia-Pacific Studies of The Chinese University of Hong Kong in July 2004.

Ms. Tsang Wing Kiu (曾詠翹) ("Ms. Tsang"), aged 46, was appointed as an independent non-executive Director on 29 January 2020. She is also a member of the audit committee, remuneration committee, nomination committee and sustainable development committee of the Company.

Ms. Tsang has over 22 years of experience in accounting, finance and auditing. She obtained a degree of bachelor of arts in business administration from the University of Greenwich in July 1995 and a degree of master of science in accountancy from The Hong Kong Polytechnic University in December 2006. She is a member of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Ms. Tsang worked as an accountant or assistant accountant or accounting officer in various private companies in Hong Kong for the period from March 1996 to August 2001. She worked at RSM Hong Kong, an international accounting firm, from April 2002 to September 2016 and her last position was senior manager. She worked as chief financial officer and company secretary at Satu Holdings Limited, a company listed on the Stock Exchange (stock code: 8392) with principal business of design, development and production management of homeware products for the period from 1 April 2017 to 31 December 2018. She has been acting as the chief financial officer and company secretary at Kelfred Holdings Limited, a company listed on the Stock Exchange (stock code: 1134) with principal business of design, production and sale of eyewear products since April 2019.

SENIOR MANAGEMENT

Mr. Au Chun Wing (歐俊榮) ("Mr. Au"), aged 37, was appointed as the chief executive officer of the Company on 11 July 2018. He joined the Group in April 2013 and has more than 16 years of experience in the civil engineering works industry in Hong Kong.

Mr. Au obtained a bachelor's degree in civil engineering with first class honours from the University of Liverpool in the United Kingdom in July 2004. He obtained a master's degree of science in civil infrastructural engineering and management from the Hong Kong University of Science and Technology in November 2007.

Mr. Au was admitted as a member of the Institution of Civil Engineers in the United Kingdom and was qualified as a chartered civil engineer in December 2009. He was registered as a chartered engineer by the Engineering Council of the United Kingdom in January 2010. He was admitted as a member of the Hong Kong Institute of Engineers in February 2012.

Biographical Details of Directors, Senior Management and Company Secretary

Mr. Lam Ho Fung（林浩峰）("Mr. Lam"), aged 36, was appointed as the chief operations officer of the Company on 11 July 2018. He joined the Group in May 2012 and has more than 13 years of experience in the civil engineering works industry in Hong Kong.

Mr. Lam was certified as a member of the Institution of Civil Engineers of in the United Kingdom and was registered by the Engineering Council in the United Kingdom as a chartered engineer in December 2010. He was admitted as a member of the Hong Kong Institution of Engineers in September 2012.

Mr. Lam obtained a bachelor's degree of science in civil engineering from the California State Polytechnic University, Pomona in the United States in August 2006. He was certified as an engineer-in-training in the state of California in June 2006.

Mr. Shum Tsz Yeung（岑子揚）("Mr. Shum"), aged 41, was appointed as the chief financial officer of the Company on 11 July 2018. He joined the Group in April 2018 and has over 20 years of experience in accounting, auditing, advisory on corporate governance, internal control, financial management and business administration. He obtained a diploma in accountancy from Hong Kong Lee Wai Lee Technical Institute in August 1998. He was accredited as a Hong Kong Accounting Technician by the Hong Kong Association of Accounting Technicians in November 1998.

COMPANY SECRETARY

Ms. Chang Kam Lai（張錦麗）("Ms. Chang"), aged 44, was appointed as company secretary of the Company on 11 July 2018. She joined the Group in April 2018 and has approximately 20 years of experience in auditing, financial management, internal control and corporate governance. She is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

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

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

TO THE SHAREHOLDERS OF SANG HING HOLDINGS (INTERNATIONAL) LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sang Hing Holdings (International) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 49 to 117, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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.

KEY AUDIT MATTERS (Continued)

Revenue recognition for provision of civil engineering work services

Refer to Note 8 to the consolidated financial statements.

The key audit matter	How the key audit matter was addressed in our audit
We identified the revenue recognition for provision of civil engineering work services as a key audit matter due to its significance to the consolidated financial statements. During the year ended 31 March 2020, the Group generated revenue of HK$515,560,000 from provision of civil engineering work services as disclosed in Note 8 to the consolidated financial statements. As disclosed in Note 8 to the consolidated financial statements, the Group recognised revenue from provision of civil engineering work services over time using output method, i.e. based on surveys of civil engineering work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers or estimated with reference to the progress payment application submitted by the Group to the customers in relation to the work completed by the Group.	Our procedures in relation to the revenue recognition for provision of civil engineering work services included: • obtaining an understanding on the management's key process in recognition of the contract revenue for provision of civil engineering work services; • checking the total contract value to the contracts and variation orders (if any) to the agreements or other correspondence, on a sample basis; and • evaluating the reasonableness of revenue from provision of civil engineering work services recognised to date by: – Checking to the certificates issued by the architects or surveyors appointed by the customers before and subsequent to year end date to evaluate the value of work already performed during the year and the subsequent progress of respective projects, on a sample basis; and – Discussing with the management of the Group to understand the status of respective engineering work service contracts, on a sample basis.

Impairment assessment of trade receivables, contract assets and other receivables

Refer to Notes 6, 18, 19 and 20 to the consolidated financial statements.

The key audit matter	How the key audit matter was addressed in our audit
We identified the impairment assessment of trade receivables, contract assets and other receivables as a key audit matter due to the significance of these balances to the consolidated financial statements as a whole, and the use of judgment and estimates by management in assessing the recoverability of trade receivables, contract assets and other receivables. As disclosed in Notes 18, 19 and 20 to the consolidated financial statements, trade receivables, contract assets and other receivables of the Group carried at approximately HK\$40,241,000, HK\$49,731,000 and HK\$51,297,000, respectively as at 31 March 2020. As set out in Note 6 to the consolidated financial statements, in determining the impairment losses on trade receivables, contract assets and other receivables, the management assessed individually and/or collectively based on the Group's historical default rates taking into consideration forward-looking information which involve estimation and significant judgment.	Our procedures in relation to impairment assessment of trade receivables, contract assets and other receivables included: • Understanding the management's process of assessing the recoverability of trade receivables, contract assets and other receivables; • Assessing the reasonableness of impairment recognised by examining the information used by management to form such judgments, such as checking the accuracy of the ageing analysis of trade receivables, contract assets and other receivables to the payment certificates or completion certificates issued by the customers or the underlying financial records, respectively, on a sample basis; • For individually assessed expected credit losses, assessing the estimated loss rates with reference to the individual customers' historical observed default rates and checking the settlement history and changes in the forward-looking information; and • Checking, on a sample basis, post year-end settlements on the trade receivables, contract assets and other receivables as at 31 March 2020 to bank receipts and challenging the information used to determine the ECL by considering cash collection performance against historical trends. We found that the management judgement and estimates used to assess the recoverability of the trade receivables, contract assets and other receivables and determine the allowance for expected credit losses to be supportable by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- 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.

Independent Auditors' Report

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 director on the audit resulting in this independent auditor's report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practicing Certificate Number: P05806

Hong Kong, 26 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	8	**515,560**	434,717
Cost of services		**(438,297)**	(368,787)
Gross profit		**77,263**	65,930
Other income and net gain	9	**4,416**	4,150
Administrative and operating expenses		**(9,810)**	(8,443)
Listing expenses		**(11,903)**	(10,321)
Profit from operations		**59,966**	51,316
Finance costs	10	**(109)**	(125)
Profit before tax	11	**59,857**	51,191
Income tax	12	**(11,827)**	(10,156)
Profit and total comprehensive income for the year		**48,030**	41,035
Profit and total comprehensive income for the year attributable to owners of the Company		**48,030**	41,035
Earnings per share attributable to owners of the Company			
Basic and diluted (HK cents)	16	**6.32**	5.47

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**24,426**	16,247
Right-of-use assets	*26(a)*	**1,634**	–
Contract assets	*19*	**2,293**	4,443
Deposit paid		**1,300**	–
		29,653	20,690
Current assets			
Trade receivables	*18*	**40,241**	46,218
Contract assets	*19*	**47,438**	18,437
Prepayments, deposits and other receivables	*20*	**69,685**	27,679
Tax recoverable		**594**	–
Pledged bank deposits	*21*	**8,305**	4,063
Cash and cash equivalents	*22*	**172,214**	101,210
		338,477	197,607
Current liabilities			
Trade and retention payables	*23*	**55,062**	40,114
Other payables and accruals	*24*	**14,629**	8,581
Contract liabilities	*25*	**4,636**	–
Tax payables		**–**	6,613
Dividend payable		**–**	10,000
Lease liabilities	*26(b)*	**1,059**	–
Obligations under finance leases	*28*	**–**	1,283
		75,386	66,591
Net current assets		**263,091**	131,016
Total assets less current liabilities		**292,744**	151,706

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred tax liabilities	27	2,912	1,926
Lease liabilities	26(b)	450	–
Obligations under finance leases	28	–	407
		3,362	2,333
Net assets		289,382	149,373
Capital and reserves			
Share capital	29(a)	10,000	–*
Reserves		279,382	149,373
Total equity attributable to owners of the Company		289,382	149,373

* The blalance represents an amount less than HK$1,000.

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

Lai Wai
Director

Lai Ying Wah
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 March 2020

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000* *(note)*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2018	21,149	–	–	117,189	138,338
Profit and total comprehensive income for the year	–	–	–	41,035	41,035
Dividend declared and paid	–	–	–	(30,000)	(30,000)
Allotment of new shares	–*	–	–	–	–*
Effect of reorganisation	(21,149)	–	21,149	–	–
At 31 March 2019 and 1 April 2019	–*	–	21,149	128,224	149,373
Profit and total comprehensive income for the year	–	–	–	48,030	48,030
Capitalisation issue *(Note 29(a))*	7,500	(7,500)	–	–	–
Issue of shares pursuant to share offer *(Note 29(a))*	2,500	122,500	–	–	125,000
Transaction costs attributable to issue of shares under share offer	–	(23,021)	–	–	(23,021)
Dividend declared and paid	–	–	–	(10,000)	(10,000)
At 31 March 2020	**10,000**	**91,979**	**21,149**	**166,254**	**289,382**

Note: Other reserve represented the difference between the Group's share of nominal values of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon Reorganisation.

* The balance represents an amount less than HK$1,000.

The accompanying notes form 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
Operating activities			
Profit before tax		59,857	51,191
Adjustments for:			
Depreciation of property, plant and equipment	11	5,702	4,288
Depreciation of right-of-use assets	11	844	–
Allowance for expected credit losses on other receivables	11	326	–
Net gain on disposal of property, plant and equipment	9	(249)	(10)
Bank interest income	9	(704)	(387)
Finance costs	10	109	125
Gain on modification of lease	9	(3)	–
Operating cash inflow before movements in working capital		65,882	55,207
Decrease in trade receivables		5,977	5,423
Increase in contract assets		(26,851)	(22,880)
(Increase)/decrease in prepayments, deposits and other receivables		(46,675)	15,455
Increase/(decrease) in trade and retention payables		14,948	(10,699)
Increase in other payables and accruals		6,048	3,359
Increase in contract liabilities		4,636	–
Decrease in amount due to a director		–	(170)
Decrease in amount due to a related company		–	(34)
Cash generated from operations		23,965	45,661
Hong Kong tax paid		(18,048)	(4,425)
Net cash generated from operating activities		5,917	41,236
Investing activities			
Interest received		704	387
Purchases of property, plant and equipment		(14,414)	(8,313)
Proceeds from disposal of property, plant and equipment		249	150
Placement of pledged bank deposit		(4,242)	(2,036)
Net cash used in investing activities		(17,703)	(9,812)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Financing activities			
Dividends paid		(20,000)	(20,000)
Proceeds from issue of shares		125,000	–
Transaction costs attributable to issue of shares under share offer		(19,978)	–
Repayment of capital element of obligations under finance leases		–	(2,550)
Repayment of interest element of obligations under finance leases		–	(125)
Payment of lease liabilities		(2,123)	–
Interest paid		(109)	–
Net cash generated from/(used in) financing activities		82,790	(22,675)
Net increase in cash and cash equivalents		71,004	8,749
Cash and cash equivalents at beginning of the year		101,210	92,461
Cash and cash equivalents at end of the year		172,214	101,210
Analysis of balances of cash and cash equivalents			
Cash and bank balances		172,214	101,210

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 June 2018 and its shares have been listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 March 2020 (the "**Listing Date**") by way of share offer at a price of HK$0.5 each upon Listing (the "**Share Offer**"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong, respectively.

The Company's immediate and ultimate holding company is Worldwide Intelligence Group Limited ("**Worldwide Intelligence**"), a company incorporated in the British Virgin Islands. Worldwide Intelligence is controlled by Mr. Lai Wai who is the chairman and executive director of the Company. Worldwide Intelligence and Mr. Lai Wai are referred to as the controlling shareholders of the Company.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of civil engineering works service and related services. Particulars of the Group's subsidiaries and joint operations are set out in Notes 35 and 36 to the consolidated financial statements, respectively.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Group. All values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2. GROUP REORGANISATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the Reorganisation as fully explained in "History, Reorganisation and corporate structure — Reorganisation" of the Prospectus of the Company dated 28 February 2020 (the "**Prospectus**"), the Company became the holding company of the companies now comprising the Group on 9 July 2018. The companies now comprising the Group were under the common control of Mr. Lai Wai before and after the Reorganisation. Accordingly, the consolidated financial statements has been prepared on the basis by applying the principles of merger accounting as if the Reorganisation has been completed at the beginning of the reporting period.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence since 1 April 2018 or their respective date of incorporation, where there is a shorter period.

All intra-group transactions and balances have been eliminated on consolidation.

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

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

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

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

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

HKFRS 16 Leases

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

Definition of a lease

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

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

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

HKFRS 16 Leases (Continued)

As a lessee

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

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information in previous reporting period has not been restated.

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

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

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

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of office premises in Hong Kong was determined on a portfolio basis; and

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

At 1 April 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.25%.

	As at 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	1,130
Lease liabilities discounted at relevant incremental borrowing rates	1,097
Less: Recognition exemption – short term leases	(383)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	714
Add: Obligations under finance leases recognised as at 31 March 2019	1,690
Lease liabilities as at 1 April 2019	2,404
Analysed as:	
Current	1,644
Non-current	760
	2,404

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	714
Reclassified from property, plant and equipment	2,333
	3,047

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amount previously reported at 31 March 2019	Impacted on adoption of HKFRS 16 Remeasurement	Impacted on adoption of HKFRS 16 Reclassification	Carrying amount as restated at 1 April 2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*(a)*	16,247	–	(2,333)	13,914
Right-of-use assets		–	714	2,333	3,047
Current liabilities					
Lease liabilities		–	361	1,283	1,644
Obligations under finance leases	*(a)*	1,283	–	(1,283)	–
Non-current liabilities					
Lease liabilities		–	353	407	760
Obligations under finance leases	*(a)*	407	–	(407)	–

Note:

(a) In relation to assets previously under finance lease, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK$2,333,000 as right-of-use assets. In addition, the Group reclassified the current portion and non-current portion of obligations under finance leases of HK$1,283,000 and HK$407,000 respectively to lease liabilities as current liabilities and non-current liabilities at 1 April 2019.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associates or Joint Venture[4]
HKFRS 16 (Amendments)	Covid-19 Related Rent Concession[5]
HKFRS 17	Insurance Contracts[3]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning or after 1 January 2021.
4 No mandatory effective date is determined yet but early application is permitted.
5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards" will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given exchange for goods and services.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is earlier.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its location and working condition for its intended use. Expenses incurred after item of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives and after taking into account their estimated residual values. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	20%-25%
Plant and machinery	10%-20%
Motor vehicles	20%-25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net proceeds and the carrying amount of the relevant assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

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

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is classified as held for trading if:

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

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

Amortised cost and effective interest method

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income and net gain" line item.

Impairment of financial assets and contract assets under ECL model

The Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets and contract assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets and cash and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets under ECL model (Continued)

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("**12m ECL**"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Definition of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and contract assets are assessed as a separate group).
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

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

Derecognition of financial assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial Liabilities

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

Financial liabilities subsequently measured at amortised cost

Financial liabilities including trade and retention payables, other payable and accruals, lease liabilities and obligations under finance lease are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

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

Revenue recognition

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a good or service to a customer. The Group's major source of revenue is its revenue from construction contracts.

Construction contracts

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

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on direct measurements of the value to the customer of goods or services transferred to date, provided that the value to the customer is established according to the progress certificate (by reference to the amount of completed works confirmed by customer) issued by employer's engineers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Construction contracts (Continued)

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

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

Contract asset or contract liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Groups' unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Contract asset is recognised when (i) the Group completes the construction work under such services contracts but yet certified by employer's engineers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceed the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

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

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

(c) the costs are expected to be recovered.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Other income

The Group also has the following sources of major other income:

- Income from supplying constructions materials and others is recognised when control of the materials has transferred to the customer, being at the point the materials are delivered to the customers.

- Interest income is recognised using the effective interest method.

- Management fee income is recognised at a point in time when management services have been provided and the Group has a present right to payment for the services.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expense.

Leases (Upon application of HKFRS 16 in accordance with transition in Note 3)

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Upon application of HKFRS 16 in accordance with transition in Note 3) (Continued)

As a lessee (Continued)

Allocation of consideration to components of a contract (Continued)

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term lease and lease of low-value assets

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

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

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

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

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

Refundable rental deposits

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Upon application of HKFRS 16 in accordance with transition in Note 3) (Continued)

As a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Upon application of HKFRS 16 in accordance with transition in Note 3) (Continued)

As a lessee (Continued)

Lease modification

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

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

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

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

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

Leases (before application of HKFRS 16 on 1 April 2019)

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

As a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Onerous contracts

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprises of cash on hand and in banks, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the Group's statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the consolidated statement of profit or loss and other comprehensive income or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with joint operations, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at of the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions

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

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the reporting entity.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Dividends proposed by the directors of the Company are classified as a separate allocation of retained profits within the equity section of the statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgments, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Joint operations

The Group has numerous joint arrangements with third parties for construction work in Hong Kong and under which decisions about the relevant activities of such arrangements require the unanimous consent of all parties to the arrangements. For accounting purposes, the directors assessed whether such arrangements are joint operations or joint ventures under HKFRS 11. After considering the rights and obligations of parties to the joint arrangements with reference to the structure, the legal form of the arrangements, the contractual terms agreed by the parties in the arrangements, and the relevant facts and circumstances, the directors of the Company concluded that all of the Group's joint arrangements for construction work should be classified as joint operations under HKFRS 11 as the relevant contractual agreements for these joint arrangements specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty on construction contract

The Group reviews and revises the estimates of contract revenue, contract costs, variations in contract work and claims prepared for each construction contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, 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.

Recognised amounts of contract revenue and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

Impairment of trade and other receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade and other receivables and contract assets based on the credit risk of trade and other receivables and contract assets. The amount of the impairment loss is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the trade and other receivables and contract assets. The assessment of the credit risk of the trade and other receivables and contract assets involves high degree of estimation and uncertainly. When the actual future cash flows are less than expected or more than expected a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Estimate of useful live of property, plant and equipment

The management of the Group depreciates the property, plant and equipment with definite useful lives on a straight-line basis over their estimated useful lives. The estimated useful lives reflect the directors' estimation of the periods that the future economic benefits can be derived from the usage of the Group's property, plant and equipment with definite useful lives. If the estimated useful lives did not reflect its actual useful lives, additional depreciation and amortisation maybe required.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the management of the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the management of the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Determining the lease term

As explained in Note 4 to consolidated financial statements, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Income tax

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2020 *HK$'000*	2019 *HK$'000*
Financial assets		
At amortised costs		
– Trade receivables	40,241	46,218
– Deposits and other receivables	53,919	19,017
– Pledged bank deposits	8,305	4,063
– Cash and cash equivalents	172,214	101,210
	274,679	170,508
Financial liabilities		
At amortised costs		
– Trade and retention payables	55,062	40,114
– Other payables and accruals	14,129	8,081
– Lease liabilities	1,509	–
– Obligations under finance leases	–	1,690
	70,700	49,885

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise trade receivables, deposits and other receivables, pledged bank deposit, cash and cash equivalents, trade and retention payables, other payables and accruals, obligations under finance leases and lease liabilities. The main purpose of these financial instruments is to finance the Group's operation.

The main risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's management reviews and agrees policies for managing each of these risks and they are summarised below:

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates.

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Interest rate risk management

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Certain lease liabilities bearing fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively and the exposure to the Group is considered immaterial.

The exposure to interest rate risk for the Group's bank balances is considered immaterial.

Foreign exchange risk management

The Group has no transactional currency exposures. The Group's markets mainly located in Hong Kong and its operations are denominated primarily in Hong Kong dollars, which does not expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk on recognised financial assets and contract assets is limited to the carrying amount at 31 March 2020 and 2019 as stated in the consolidated statement of financial position.

In respect of trade receivables and contract assets, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables and contract assets balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

The Group assessed the expected credit losses on trade receivables and contract assets individually. Based on historical experience of the Group, these trade receivables and contract assets are generally recoverable due to the long term/on-going relationship and good repayment record. The Group has assessed that the rate of expected credit loss for trade receivables and contract assets are minimal, thus, the additional loss allowance for provision for trade receivables and contract assets was insignificant as at 31 March 2020 and 2019.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience and also available reasonable and supportive forward-looking information. The credit risks of these financial assets are considered not to increase significantly since initial recognition. They are subject to the ECLs model and the loss allowances limited to 12 months ECLs. An impairment loss of approximately HK$326,000 (2019: nil) was recognised for the year ended 31 March 2020.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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

	Weighted average effective interest rate	On demand or within 1 year *HK$'000*	Over 1 year and within 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
At 31 March 2020					
Non-derivative financial liabilities					
Trade and retention payables	–	55,062	–	55,062	55,062
Other payables and accruals	–	14,129	–	14,129	14,129
Lease liabilities	5.1%	1,107	461	1,568	1,509
		70,298	461	70,759	70,700

	Weighted average effective interest rate	On demand or within 1 year *HK$'000*	Over 1 year and within 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
At 31 March 2019					
Non-derivative financial liabilities					
Trade and retention payables	–	40,114	–	40,114	40,114
Other payables and accruals	–	8,081	–	8,081	8,081
Obligations under finance leases	5.5%	1,326	415	1,741	1,690
		49,521	415	49,936	49,885

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Fair value of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their values.

(d) Capital risk management

The Group's objectives when managing capital are 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 debt (which includes obligations under finance leases and lease liabilities), cash and cash equivalents, pledged bank deposits and total equity attributable to owners of the Company, comprising issued share capital and reserves.

Gearing ratio

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on net debt and total equity.

The gearing ratio at the end of the reporting period was as follows:

	2020	2019
	HK$'000	*HK$'000*
Total debt#	**1,509**	1,690
Less: Cash and bank balances	**(172,214)**	(101,210)
Pledged bank deposits	**(8,305)**	(4,063)
Net debt	**(179,010)**	(103,583)
Total equity	**289,382**	149,373
Gearing ratio	**N/A**	N/A

Total debt comprises lease liabilities and obligations under finance leases as detailed in Note 26(b) and 28 to the consolidated financial statements, respectively.

7. SEGMENT INFORMATION

(i) Operating segment information

The Group's most senior executive management has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The Group's most senior executive management has determined the operating segments based on these reports.

The Group's most senior executive management assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of civil engineering works service and related services in Hong Kong. Information reported to the Group's most senior executive management for the purpose of resources allocation and performance assessment, focuses on the operating result of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating and geographical segment information is presented.

(ii) Information about major customers

Revenue from customers during the years ended 31 March 2020 and 2019 contributing individually over 10% of the Group's revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**443,633**	350,295
Customer B	**70,101**	82,849

8. REVENUE

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works services and related services which is recognised over time.

	2020	2019
	HK$'000	*HK$'000*
Revenue from civil engineering works	**515,560**	434,717

8. REVENUE (Continued)

Performance obligations for contracts with customers

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the value of completed construction work using output method.

In recognising the construction revenue, the Group adjusts the amount of payment received for the effect of the time value of money of the goods and services transferred to the customers. In certain circumstances, the adjustment will result the amount of payment received in excess of the revenue recognised to date. Such difference will be recorded as contract liabilities.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving the value of construction work has been agreed with the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the Group issued invoice to the customers based on the value of work certified by the architects, surveyor or other representatives appointed by the customers.

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

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$520,796,000 (2019: HK$615,574,000). This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 4 years from the end of the reporting period.

9. OTHER INCOME AND NET GAIN

	2020 HK$'000	2019 HK$'000
Bank interest income	704	387
Government subsidies	765	673
Compensation from insurance	1,253	–
Income from supplying construction materials, labour and others	610	1,795
Net gain on disposal of property, plant and equipment	249	10
Gain on modification of lease	3	–
Management fee income	661	1,285
Sundry income	171	–
	4,416	4,150

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on finance leases	–	125
Interest on bank overdrafts	6	–
Interest on lease liabilities	103	–
	109	125

11. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2020 *HK$'000*	2019 *HK$'000*
Auditors' remuneration *(note (a))*	900	200
Listing expenses	11,903	10,321
Depreciation		
– Depreciation of property, plant and equipment	5,702	4,288
– Depreciation of right-of-use assets	844	–
Less: amounts included in cost of services	(5,479)	(3,665)
	1,067	623
Directors' remuneration		
– Other emoluments (fees, salaries, allowance, bonus and benefits in kind)	975	–
– Retirement benefit scheme contributions	17	–
Staff costs (excluding directors' remuneration)		
– Wages, salaries, allowance and bonus	82,082	74,081
– Retirement benefits schemes contributions	2,926	2,624
	85,008	76,705
Less: amounts included in cost of services	(79,924)	(71,357)
	5,084	5,348
Allowance for expected credit losses on other receivables	326	–
Minimum lease payments under operating leases	–	390
Short-term lease expenses	235	–

note: (a) Exclude services for the listing of the Company.

12. INCOME TAX

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

	2020 ***HK$'000***	2019 *HK$'000*
Provision for Hong Kong profits tax:		
– Current tax	**10,861**	9,404
– Over-provision in prior years	**(20)**	–
Deferred taxation *(Note 27)*	**986**	752
	11,827	10,156

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

	2020 ***HK$'000***	2019 *HK$'000*
Profit before tax	**59,857**	51,191
Tax expenses at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**9,876**	8,453
Tax effect of income not taxable for tax purpose	**(150)**	(65)
Tax effect of expenses not deductible for tax purpose	**2,215**	1,739
Tax effect of taxable temporary difference not recognised	**111**	194
Income tax at concessionary rate	**(165)**	(165)
Tax relief	**(40)**	–
Over-provision in prior years	**(20)**	–
Tax charge for the year	**11,827**	10,156

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the Group prior to becoming the directors and chief executive of the Company) by entities comprising the Group during the years ended 31 March 2020 and 2019 are as follows:

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement benefits schemes contributions *HK$'000*	Total *HK$'000*
Year ended 31 March 2020					
Executive directors					
Mr. Lai Wai *(note (i))*	–	48	–	–	48
Mr. Lai Ying Wah *(note (ii))*	–	770	70	17	857
Mr. Lai Ying Keung *(note (ii))*	–	34	–	–	34
Non-executive directors					
Mr. Fung Chi Kin *(note (iii))*	12	–	–	–	12
Independent non-executive directors					
Mr. Cheung Wai Kwok Gary *(note (iv))*	9	–	–	–	9
Professor Leung Yee Tak *(note (iv))*	9	–	–	–	9
Mr. Zhang Senquan *(note (iv))*	9	–	–	–	9
Mr. Ho Tai Tung *(note (iv))*	9	–	–	–	9
Ms. Tsang Wing Kiu *(note (iv))*	5	–	–	–	5
	53	852	70	17	992
Chief executive					
Mr. Au Chun Wing *(note (v))*	–	1,200	200	18	1,418
Year ended 31 March 2019					
Executive directors					
Mr. Lai Wai *(note (i))*	–	–	–	–	–
Mr. Lai Ying Wah *(note (ii))*	–	–	–	–	–
Mr. Lai Ying Keung *(note (ii))*	–	–	–	–	–
Non-executive directors					
Mr. Fung Chi Kin *(note (iii))*	–	–	–	–	–
	–	–	–	–	–
Chief executive					
Mr. Au Chun Wing *(note (v))*	–	1,235	190	18	1,443

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

During the years ended 31 March 2020 and 2019, there were no amounts paid or payable by the Group to the directors and chief executive or any of the highest paid individuals set out in Note 14 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

notes:

(i) Mr. Lai Wai was appointed as the chairman and executive director of the Company on 11 July 2018.

(ii) Mr. Lai Ying Wah and Mr. Lai Ying Keung were appointed as executive directors of the Company on 11 July 2018, respectively.

(iii) Mr. Fung Chi Kin was appointed as non-executive director of the Company on 11 July 2018.

(iv) Mr. Cheung Wai Kwok Gary, Professor Leung Yee Tak, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu were appointed as independent non-executive directors of the Company on 29 January 2020, respectively.

(v) Mr. Au Chun Wing was appointed as chief executive officer of the Company on 11 July 2018.

14. EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group during the year ended 31 March 2020, one (2019: one) is chief executive of the Company for the year ended 31 March 2020, whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Salaries, allowance and benefits in kind	3,646	4,467
Discretionary bonuses	1,269	190
Retirement benefits schemes contributions	69	70
	4,984	4,727

The emoluments of the above individuals are within the following bands:

	2020	2019
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	3	2

15. DIVIDENDS

During the year ended 31 March 2019, Sang Hing Civil Contractors Company Limited declared HK$30,000,000 dividends to its shareholders.

During the year ended 31 March 2020, the Company declared dividends for the amounts of HK$10,000,000 to its shareholders and paid in February 2020.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2020 of HK$0.01 per ordinary share (HK$10,000,000 in aggregate) has been proposed by the directors of the Company and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately HK$48,030,000 (2019: approximately HK$41,035,000) and the weighted average number of ordinary shares of the Company in issue during the year is calculated as follows:

	2020	2019
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**760,245,902**	750,000,000

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year has been determined on the assumption that 750,000,000 ordinary shares had been in issue, comprising 100 ordinary shares issued under the Reorganisation and 749,999,900 ordinary shares issued pursuant to the capitalisation issue which took place upon the completion of the Share Offer as set out in note 29(a)(iv), which were assumed to occur at 1 April 2018.

No dilutive earnings per share is presented as there was no potential dilutive ordinary shares in issue during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 April 2018	1,075	11,480	15,287	27,842
Additions	253	4,586	4,586	9,425
Disposal	(70)	–	(1,133)	(1,203)
At 31 March 2019	1,258	16,066	18,740	36,064
Impact on adoption of HKFRS 16	–	–	(4,350)	(4,350)
At 1 April 2019	1,258	16,066	14,390	31,714
Transfer from right-of-use assets	–	–	3,698	3,698
Additions	11	13,801	602	14,414
Disposal	–	–	(867)	(867)
At 31 March 2020	**1,269**	**29,867**	**17,823**	**48,959**
Accumulated depreciation:				
At 1 April 2018	746	5,121	10,725	16,592
Charge for the year	155	1,999	2,134	4,288
Disposal	(70)	–	(993)	(1,063)
At 31 March 2019	831	7,120	11,866	19,817
Impact on adoption of HKFRS 16	–	–	(2,017)	(2,017)
At 1 April 2019	831	7,120	9,849	17,800
Transfer from right-of-use assets	–	–	1,898	1,898
Charge for the year	168	3,126	2,408	5,702
Disposal	–	–	(867)	(867)
At 31 March 2020	**999**	**10,246**	**13,288**	**24,533**
Net carrying amount:				
At 31 March 2020	**270**	**19,621**	**4,535**	**24,426**
At 31 March 2019	427	8,946	6,874	16,247

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Assets held under finance leases

Certain motor vehicles were held under finance leases and their net carrying amount is analysed as follows:

	2019 *HK$'000*
Cost – Capitalised finance lease	4,350
Accumulated depreciation	(2,017)
Net carrying amount	2,333

During the year ended 31 March 2019, additions to motor vehicles of the Group financed by new finance leases were approximately HK$1,100,000.

Upon application of HKFRS 16 on 1 April 2019, certain motor vehicles were held under finance leases were reclassified as right-of-use assets (Note 26(a)).

18. TRADE RECEIVABLES

	2020 ***HK$'000***	2019 *HK$'000*
Trade receivables	**40,241**	46,218

The average credit period on construction works is 30 days.

An aging analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 ***HK$'000***	2019 *HK$'000*
0-30 days	**40,241**	46,218

18. TRADE RECEIVABLES (Continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The trade receivables are assessed individually for impairment allowance based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

An aging analysis of the trade receivables as at the end of the reporting period, based on the due date, is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Neither past due nor impaired	**40,241**	46,218

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

19. CONTRACT ASSETS

	2020 *HK$'000*	2019 *HK$'000*
Unbilled receivables *(note (i))*	**39,542**	13,150
Retention receivables *(note (ii))*	**10,189**	9,730
	49,731	22,880
Less: Non-current portion of retention receivables	**(2,293)**	(4,443)
	47,438	18,437

note:

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 *HK$'000*	2019 *HK$'000*
Prepayments *(note (a))*	**15,766**	8,662
Deposits	**2,758**	1,772
Other receivables	**51,297**	16,880
Amount due from other join operator of a joint operation *(note (b))*	**190**	365
	70,011	27,679
Less: Allowance for expected credit losses	**(326)**	–
	69,685	27,679

note:

(a) At 31 March 2020 and 2019, included in the balance of approximately HK$nil and HK$3,043,000 represented the deferred listing expenses, respectively.

(b) The amount due from other joint operator of a joint operation is unsecured, interest-free and recoverable on demand.

21. PLEDGED BANK DEPOSITS

As at 31 March 2020, the pledged bank deposit of the Group is pledged to bank for general banking facilities (2019: securing the performance bond issued by the bank to the Group's customer (Note 31) and general banking facilities). As at 31 March 2020, the Group has unutilised banking facilities amounting to approximately HK$18,800,000 (2019: HK$14,000,000).

22. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise

	2020 *HK$'000*	2019 *HK$'000*
Cash at banks and in hand	**162,214**	75,210
Time deposits	**10,000**	26,000
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**172,214**	101,210

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances carries interest rate ranging from 0.1% to 2.1% per annum. Time deposits are made for varying periods of between 1 and 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

22. CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details the cash flow and non-cash flow changes in the Group's liabilities arising from financing activities. Except as disclosed below, there were non-cash changes in the Group's liabilities arising from financing activities.

	Obligations under finance leases	**Lease liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2018	3,128	–	3,128
Change in financing cash flows	(2,550)	–	(2,550)
Other changes:			
New leases	1,112	–	1,112
At 31 March 2019	1,690	–	1,690
Impact on adoption of HKFRS 16	(1,690)	2,404	714
At 1 April 2019	–	2,404	2,404
Change in financing cash flows	–	(2,226)	(2,226)
Other changes:			
Interest expenses on lease liabilities	–	103	103
New leases	–	1,500	1,500
Modification of leases	–	(272)	(272)
At 31 March 2020	**–**	**1,509**	**1,509**

23. TRADE AND RETENTION PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**47,312**	37,383
Retention payables	**7,750**	2,731
	55,062	40,114

23. TRADE AND RETENTION PAYABLES (Continued)

The credit period on trade payables is up to 60 days. Aging analysis of trade payables at the end of each reporting period, based on invoice dates, is as follows:

	2020 *HK$'000*	2019 *HK$'000*
0-30 days	**14,895**	19,140
31-60 days	**21,586**	10,848
61-90 days	**6,025**	4,098
Over 90 days	**4,806**	3,297
	47,312	37,383

24. OTHER PAYABLES AND ACCRUALS

	2020 *HK$'000*	2019 *HK$'000*
Other payables and accruals	**8,150**	1,119
Accrued staff costs	**5,979**	6,962
Employee benefit obligations	**500**	500
	14,629	8,581

25. CONTRACT LIABILITIES

	2020 *HK$'000*	2019 *HK$'000*
Construction contracts	**4,636**	–

Typical payment terms which impact on the amounts of contract liabilities recognised are as follows:

Construction contracts

The Group received certain amounts from customers for civil engineering works service while the services had not been rendered to customers at 31 March 2020.

The Group classifies these contract liabilities as current liabilities because the Group expects to them to be settled in its normal operating cycle which is within 12 months after the end of the reporting period.

26. LEASES

(a) Right-of-use assets

	Leasehold land and buildings HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:			
At 1 April 2018 and 31 March 2019	–	–	–
Impact on adoption of HKFRS 16	714	4,350	5,064
At 1 April 2019	714	4,350	5,064
Transfer to property, plant and equipment	–	(3,698)	(3,698)
Additions	1,500	–	1,500
Modification of leases	(365)	–	(365)
At 31 March 2020	**1,849**	**652**	**2,501**
Accumulated depreciation:			
At 1 April 2018 and 31 March 2019	–	–	–
Impact on adoption of HKFRS 16	–	2,017	2,017
At 1 April 2019	–	2,017	2,017
Transfer to property, plant and equipment	–	(1,898)	(1,898)
Charge for the year	681	163	844
Modification of leases	(96)	–	(96)
At 31 March 2020	**585**	**282**	**867**
Net carrying amount:			
At 31 March 2020	**1,264**	**370**	**1,634**
At 31 March 2019	–	–	–

Lease liability of approximately HK$1,509,000 are recognised with related right-of-use assets of approximately HK$1,634,000 as at 31 March 2020. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

26. LEASES (Continued)

(b) Lease liabilities

As at 31 March 2020, the Group leases various motor vehicles and leasehold land and buildings for a period of time through lease arrangements with lease terms ranging from two to four years. These liabilities were measured at the net present value of the lease payments during the lease terms that are not yet paid.

The ranges of interest rates are from 2.69% to 5.25% per annum.

The total future minimum lease payments under lease arrangements and their present values were as follows:

	Minimum lease payments as at 31 March 2020	Present value of minimum lease payments as at 31 March 2020
	HK$'000	*HK$'000*
Within 1 year	1,107	1,059
After 1 year but within 2 years	416	406
After 2 year but within 5 years	45	44
	1,568	1,509
Less: Total future interest expenses	(59)	
Present value of lease liabilities	1,509	
Less: Amount due for settlement within one year		(1,059)
Amount due for settlement after one year		450

Analysed by:

	As at 31 March 2020
	HK$'000
Leasehold land and buildings	1,282
Motor vehicles	227
	1,509

Included in the lease liabilities, an approximately HK$175,000 was liable to Mr. Lai Wai as at 31 March 2020.

27. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation *HK$'000*
At 1 April 2018	1,174
Debit to profit or loss *(Note 12)*	752
At 31 March 2019 and 1 April 2019	1,926
Debit to profit or loss *(Note 12)*	986
At 31 March 2020	**2,912**

28. OBLIGATIONS UNDER FINANCE LEASES

The Group purchases and leases certain of its motor vehicles for its construction work business under finance lease arrangements. These leases are classified as finance leases and have remaining instalment periods or lease terms for the year ended 31 March 2019 ranging from one to two years, respectively. Interest rates underlying all obligations under finance leases are fixed at respective contract dates for the year ended 31 March 2019 ranging from 2.7% to 6.8% per annum. The Group has options to purchase the motor vehicles for a nominal amount at the end of the lease terms.

At 31 March 2019, the total future minimum lease payments under hire purchase contracts and finance leases and their present values were as follows:

	Minimum lease payments as at 31 March 2019 *HK$'000*	Present value of minimum lease payments as at 31 March 2019 *HK$'000*
Within 1 year	1,326	1,283
After 1 year but within 2 years	415	407
	1,741	1,690
Less: Total future interest expenses	(51)	
Present value of finance leases	1,690	
Less: Amount due for settlement within one year		(1,283)
Amount due for settlement after one year		407

28. OBLIGATIONS UNDER FINANCE LEASES (Continued)

At 31 March 2019, the total present values of finance leases of approximately HK$1,690,000 was secured by personal guarantee given by Mr. Lai Wai.

Upon application of HKFRS 16 on 1 April 2019, obligations under finance leases were classified as lease liabilities (Note 26(b)).

29. CAPITAL AND RESERVES

(a) Share capital

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 25 June 2018 (date of incorporation), 31 March 2019 and 1 April 2019	38,000,000	380
Increase in authorised share capital *(note (iii))*	9,962,000,000	99,620
At 31 March 2020	**10,000,000,000**	**100,000**
Issued:		
At 25 June 2018 (date of incorporation) *(note (i))*	10	–*
Issue of shares under the Reorganisation *(note (ii))*	90	–*
At 31 March 2019 and 1 April 2019	100	–*
Capitalisation issue *(note (iv))*	749,999,900	7,500
Issue of new shares under Share Offer *(note (v))*	250,000,000	2,500
At 31 March 2020	**1,000,000,000**	**10,000**

* The balance represents an amount less than HK$1,000.

29. CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

note:

(i) The Company was incorporated on 25 June 2018 with authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On 25 June 2018, one share of HK$0.01 was allotted and issued to initial subscriber of the Company, an independent third party. Such one share was then immediately transferred to Worldwide Intelligence, following which seven, one and one new shares of HK$0.01 each were issued to Worldwide Intelligence, Pride Success Development Corporation ("**Pride Success**") and United Progress Holdings Corporation ("**United Progress**"), respectively.

(ii) On 9 July 2018, as part of the Reorganisation as set out in Note 2 to consolidated financial statements, the Company acquired from Worldwide Intelligence, Pride Success and United Progress all of their shares in Sang Hing Holdings (Hong Kong) Limited. In consideration thereof, the Company allotted and issued as fully paid 72, nine and nine Shares to Worldwide Intelligence, Pride Success and United Progress, respectively.

(iii) On 29 January 2020, the then shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking pari passu with the shares of the Company then in issue in all respects.

(iv) On 29 January 2020, the Company capitalised an amount of HK$7,499,999 by issuing additional 749,999,900 shares, credited as fully paid, to the holder(s) of shares on the register of members of the Company at the close of business on 29 January 2020 (or as they may direct) in proportion to their shareholdings (save that no shareholder shall be entitled to be allotted and issued any fraction of a share).

(v) On 17 March 2020, 250,000,000 ordinary shares were issued at a price of HK$0.5 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HK$2,500,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK$99,479,000, net of the listing expenses directly attributable to the issuance of shares, were credited to the share premium account.

29. CAPITAL AND RESERVES (Continued)

(b) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium	(Accumulated losses)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2018	–	–	–
Loss and total comprehensive loss for the year	–	(10,337)	(10,337)
At 31 March 2019 and 1 April 2019	–	(10,337)	(10,337)
Profit and total comprehensive income for the year	–	20,655	20,655
Capitalisation issue *(Note 29(a)(iv))*	(7,500)	–	(7,500)
Issue of shares pursuant to Share Offer	122,500	–	122,500
Transaction costs attributable to issue of shares under Share Offer	(23,021)	–	(23,021)
Dividend declared and paid	–	(10,000)	(10,000)
At 31 March 2020	91,979	318	92,297

30. SHARE OPTION SCHEME

On 29 January 2020, the then shareholders of the Company approved and conditionally adopted a share option scheme (the "**Share Option Scheme**").

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and there was no share option outstanding as at 31 March 2020.

30. SHARE OPTION SCHEME (Continued)

The following is a summary of the principal terms of the Share Option Scheme.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions by Proposed Grantee (as defined in sub-paragraph (b) below) to the Company and the subsidiaries or invested entity and associated companies of the Company. By providing them with the opportunity to acquire equity interests in the Company, the Share Option Scheme aims to achieve the following objectives:

(i) attract skilled and experienced personnel, to incentivise them to remain with the Company or its subsidiaries or any entity in which any member of the Group holds any equity interest ("**invested entity**") (as the case may be) and to give effect to the Company's customer-focused corporate culture, and to motivate them to think as shareholders of the Company and strive for the future development and expansion of the Company and its subsidiaries or invested entity; and

(ii) attract and retain or otherwise maintain ongoing business relationships with suppliers and customers whose contributions are or will be beneficial to the long-term growth of the Company.

(b) Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to the following persons (collectively, "**Proposed Grantee**"):

(i) employee (whether full time or part time, and for the purposes of the Share Option Scheme also includes any executive Director, non-executive Directors (including independent non-executive Director) of the Company or any of its subsidiaries or invested entity (collectively, "**Employee**");

(ii) any advisor, consultant, supplier, customer or agent to the Company or any of its subsidiaries or invested entity provided that (i) such advisor, consultant, supplier, customer or agent provides bona fide services to or conduct business with the Company or any of its subsidiaries or invested entity, (ii) the services provided by or business with the advisor, consultant, supplier, customer or agent are not in connection with the offer or sale of securities in a capital-raising transaction of the Company and (iii) such advisor, consultant, supplier, customer or agent, or the services provided or the business conducted, do not directly or indirectly make a market for the Company's securities (collectively, "**third party contributor**"),

provided that no prospectus is required to be issued in connection with such grant under the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any other applicable laws. The Board may in its absolute discretion specify such conditions (if any) as it thinks fit when making such offer to the Proposed Grantee, including, without limitation and notwithstanding sub-paragraph (i), as to performance criteria to be satisfied by the Proposed Grantee and/or the Company before an option can be exercised.

30. SHARE OPTION SCHEME (Continued)

(c) Maximum number of Shares available for issue

No share option has been granted under the Share Option Scheme as at the date of this annual report.

The total number of Shares available for issue under the Share Option Scheme is 100,000,000, representing approximately 10% of the Company's total number of issued shares as at the date of this annual report. The Company has 1,000,000,000 shares in issue as at the date of this annual report.

(d) Maximum entitlement of each individual and connected persons

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of this 1% limit will be subject to the approval of the shareholders of the Company in general meeting.

The independent non-executive Directors (excluding any independent non-executive Director who is a Proposed Grantee of the option(s)) will be required to approve each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates. If a grant of options to a substantial shareholder of the Company or an independent non-executive Director, or their respective associates, will result in the total number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the issued share capital of the Company from time to time; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK$5 million,

such further grant of options will be required to be approved by the shareholders of the Company in general meeting.

(e) Acceptance of an offer of options

An offer shall be accepted by the Proposed Grantee within 30 days from the date of the offer of grant of the option. A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option.

(f) Exercise price

The exercise price in respect of any option shall be such price as determined by the Board and notified to any Grantee (subject to any adjustment made in accordance with the Share Option Scheme) and shall be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for a board lot on the option offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for a board lot for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

30. SHARE OPTION SCHEME (Continued)

(g) Time of vesting and exercise of options

Subject to sub-paragraph (b), and unless otherwise determined by the Board and stated in the offer to a Proposed Grantee, no performance criteria are to be satisfied by a Proposed Grantee and/or the Company before the exercise of an option granted to him.

A Proposed Grantee may exercise his option in whole or in part (but, if in part, only in respect of a board lot or any integral multiple thereof) by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares to be subscribed. Each such notice must be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance, the Company will allot and issue the relevant Shares to the Proposed Grantee credited as fully paid and issue to the Proposed Grantee a share certificate in respect of the Shares so allotted.

Subject to any early vesting of options pursuant to Share Option Scheme, all options granted under the Share Option Scheme will be subject to a vesting period of up to ten years to be determined with respect to each Proposed Grantee by the Board at the time of grant of the relevant option and stated in the offer to a Proposed Grantee. In the absence of such requirements, a Proposed Grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme shall remain in force until 17 March 2030.

31. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the company entities to issue guarantees for the performance of contract works in the form of performance bonds and secured by pledged bank deposit (Note 21). The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

	2020 *HK$'000*	2019 *HK$'000*
Issued by the Group's bank	–	1,591

32. OPERATING LEASE COMMITMENTS

As at 31 March 2019, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings which fall due as follows:

	2019 *HK$'000*
Within one year	641
In the second to fifth years, inclusive	489
	1,130

33. MATERIAL RELATED PARTY TRANSACTIONS

Material related party transactions identified during the year and balances with these related parties at those dates are summarised as follows:

(a) Recurring transactions

	2020 ***HK$'000***	2019 *HK$'000*
Rental expenses paid and payable to Mr. Lai Wai	**–**	180
Interest on lease liabilities to Mr. Lai Wai	**14**	–

(b) Key management personnel remuneration

The emoluments of the directors and senior management of the Group, who represent the key management personnel during the year are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Salaries, fees and allowances	**4,692**	3,910
Discretionary bonuses	**470**	380
Retirement benefit	**89**	72
	5,251	4,362

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 March 2020 HK$'000	As at 31 March 2019 HK$'000
Non-current asset			
Investment in a subsidiary		-*	–*
Current assets			
Prepayments, deposits and other receivables		19	3,043
Amounts due from subsidiaries		40,525	–
Cash and cash equivalents		68,493	30
		109,037	3,073
Current liabilities			
Accruals		6,740	500
Amount due to a subsidiary		–	12,910
		6,740	13,410
Net current assets/(liabilities)		102,297	(10,337)
Total assets less current liabilities		102,297	(10,337)
Net assets/(liabilities)		102,297	(10,337)
Capital and reserves			
Share capital	29(a)	10,000	–*
Reserves	29(b)	92,297	(10,337)
Total equity attributable to owners of the Company		102,297	(10,337)

* The balance represents an amount less than HK$1,000.

35. PARTICULARS OF SUBSIDIARIES

The following table lists the subsidiaries of the Company:

Name of subsidiary	Place of registration/ operation	Class of share	Issued and fully paid share capital	Percentage of attributable interest of the Group		Principal activities
				2020	2019	
Sang Hing Holdings (Hong Kong) Limited	BVI	Ordinary	100 shares/ USD 100	100%	100%	Investment holdings
Sang Hing Civil Contractors Company Limited	Hong Kong	Ordinary	21,149,000 shares/ HK$21,149,000	100%	100%	Civil engineering work services

Except for Sang Hing Holdings (Hong Kong) Limited which is directly held by the Company, all other subsidiary is indirectly held by the Company.

None of the subsidiaries had debt securities outstanding at the end of the reporting period or at any time during the year.

36. PARTICULARS OF PRINCIPAL JOINT OPERATIONS

Particulars of the Group's principal joint operations as at 31 March 2020 and 2019 are as follows:

Name of joint operation	Form of business structure	Place of registration/ operation	Percentage of attributable interest of the Group		Principal activities
			2020 *(note a)*	2019 *(note a)*	
Sang Hing Civil – Richwell Machinery JV	Unincorporated	Hong Kong	100%	100%	Construction
Sang Hing – Kuly Joint Venture	Unincorporated	Hong Kong	64.24% to 95.21%	64.24% to 95.21%	Construction

notes:

(a) The Group's attributable interest is equal to, greater or less than 50% in these body unincorporates. However, under the joint venture agreements, the joint operators have contractually agreed sharing of control over the relevant activities of these body unincorporates, hence all these body unincorporates are jointly controlled by the Group and the other joint operators. Furthermore, the relevant joint venture agreements specify that the Group and the other parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements in accordance with the attributable interest of the Group as disclosed above and the interest attributable to the other joint operators respectively, therefore these body unincorporates are classified as joint operations.

(b) All principal joint operations engaged in construction work are contracted to carry out infrastructure and public facilities related works in Hong Kong. These joint operations are strategic to the Group's principal activities in construction work.

37. LITIGATION

As at the date of this report, saved for two common law personal injury legal proceedings and two employees' compensation legal proceedings, all of the claims brought against the Group have been settled.

The directors of the Company are of the view that the amount to be borne by the Group in respect of the cost of the common law personal injury claims will be covered by the relevant insurance taken out by the Group. Therefore, the Group has not made provision to cover the potential liability under the above claims.

38. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3 to the consolidated financial statements.

39. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the the board of directors on 26 June 2020.

Four-Year Financial Summary

RESULTS

	Year ended 31 March			
	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**515,560**	434,717	282,324	341,871
Gross profit	**77,263**	65,930	42,779	43,763
Listing expenses	**(11,903)**	(10,321)	–	–
Income tax	**(11,827)**	(10,156)	(6,782)	(6,418)
Profit and total comprehensive income for the year attributable to owners of the Company	**48,030**	41,035	35,003	40,445

ASSETS AND LIABILITIES

	As at 31 March			
	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**368,130**	218,297	204,705	197,652
Total liabilities	**(78,748)**	(68,924)	(74,333)	(87,246)
Total equity attributable to owners of the Company	**289,382**	149,373	130,372	110,406

Notes to the four-year financial summary:

1. The shares of the Company were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 March 2020. No financial statements of the Group for the year ended 31 March 2016 have been published.

2. The financial information for the years ended 31 March 2017, 2018 and 2019 were extracted from the prospectus of the Company dated 28 February 2020. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2 to the consolidated financial statements.

3. As a result of the adoption of HKFRS 16, Leases, with effect from 1 April 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 April 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Prior to 1 April 2019, figures were stated in accordance with the policies applicable in those years.