2019/20 ANNUAL REPORT

恒益控股有限公司

HANG YICK HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1894

Contents

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Articles"	the amended and restated articles of association of the Company adopted on 19 September 2018 with effect from the Listing Date, and as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Capital Development"	Capital Development Investment Company Limited, a company incorporated in the BVI with limited liability which is an investment holding company wholly owned by Mr. Pang Ming, our executive Director
"CDI HY HK"	CDI Hang Yick (China) Construction Company Limited (首建恒益 (中國) 建築控股有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly owned subsidiary of our Company
"CDI HY SZ"	CDI Hang Yick Construction Holdings Co. Ltd. SZ* (首建恒益 (深圳) 建築控股有限公司), a limited liability company established in the PRC, indirectly and wholly owned by HY Capital
"CDI Shankly"	CDI Shankly Capital Holdings Company Limited, a company incorporated in the BVI with limited liability which is an investment holding company wholly owned by Mr. Wu Hing Yin Remzi, a member of our senior management
"CDI HY ZJ"	CDI Hang Yick Zhejiang Construction Company Limited* (首建恒益 (浙江) 建築有限公司), a limited liability company established in the PRC, and as at the date of this annual report, an indirect non-wholly owned subsidiary of our Company
"CDI HY RE ZJ"	CDI Hang Yick Zhejiang Real Estate Company Limited* (首建恒益 (浙江) 置業有限公司), a limited liability company established in the PRC, and as at the date of this annual report, an indirect non-wholly owned subsidiary of our Company
"Company" or "our Company"	Hang Yick Holdings Company Limited (恒益控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2018
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. PS Lee, Ms. LC Lau and HY Steel
"Director(s)"	the director(s) of our Company
"Fujian Hejin"	Fujian Hejin Construction Engineering Limited* (福建禾金建設工程有限公司), a limited liability company established in the PRC, and as at the date of this annual report, an indirect non-wholly owned subsidiary of our Company

Definitions

"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
"Hang Yick HK"	Hang Yick Gate Engineering Limited (恒益捲閘工程有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of our Company
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Huizhou Hengyi"	Huizhou Hengyi Wujin Zhipin Limited* (惠州恒益五金製品有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"Huizhou Yicun"	Huizhou Yicun Steel Structural Engineering Limited* (惠州市溢存鋼結構工程有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"HY Capital"	HY Capital Holdings Company Limited, a company incorporated in the BVI with limited liability which is owned as to 60% by HY China, 25% by Capital Development and 15% by CDI Shankly
"HY CDI CT SZ"	Hang Yick CDI Shenzhen Construction Materials Technology Company Limited* (恒益首建 (深圳) 建材科技有限公司), a limited liability company established in the PRC, and as at the date of this annual report, an indirect non-wholly owned subsidiary of our Company
"HY China"	HY China Investment Company Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of our Company
"HY Metal"	HY Metal Company Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of our Company
"HY Steel"	HY Steel Company Limited, a company incorporated in the BVI with limited liability which is owned as to 70% by Mr. PS Lee and 30% by Ms. LC Lau, as one of our Controlling Shareholders
"Listing Date"	12 October 2018
"Listing Rules"	The Rules Governing the Listing of Securities on the stock exchange, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

Definitions

"Mr. PS Lee"	Mr. Lee Pui Sun (李沛新先生), our Chairman, chief executive officer, executive Director and Controlling Shareholder, the spouse of Ms. LC Lau
"Ms. LC Lau"	Ms. Lau Lai Ching (劉麗菁女士), our executive Director and Controlling Shareholder, the spouse of Mr. PS Lee
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	The People's Republic of China
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shares"	ordinary shares of our Company with a nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	a share option scheme passed pursuant to a written resolution by the Shareholder on 19 September 2018
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sunshine"	Sunshine Metal Engineering Limited (新銳鐵器工程有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of our Company
"%"	per cent

The English names of marked with "" are unofficial English translations of the Chinese names of, among others, entities, laws or regulations or government authorities, that do not have official English names. If there is any inconsistency, the Chinese names shall prevail.*

This annual report is publish in both English and Chinese languages. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*
Ms. Lau Lai Ching
Mr. Lee Ka Ho *(appointed on 28 June 2019)*
Mr. Pang Ming *(appointed on 28 June 2019)*

Non-executive Directors

Mr. Lee Ka Chun Benny
Mr. Zhang Chen *(appointed on 1 January 2020)*

Independent Non-executive Directors

Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, *JP*
Mr. Tse Ka Ching Justin

AUDIT COMMITTEE

Mr. Tse Ka Ching Justin *(Chairman)*
Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, *JP*

REMUNERATION COMMITTEE

Mr. Au Yeung Wai Key *(Chairman)*
Hon Cheung Kwok Kwan, *JP*
Mr. Tse Ka Ching Justin

NOMINATION COMMITTEE

Hon Cheung Kwok Kwan, *JP (Chairman)*
Mr. Au Yeung Wai Key
Mr. Tse Ka Ching Justin

COMPANY SECRETARY

Mr. Leung Wing Lun *(HKICPA)*

AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

Mr. Lee Ka Ho *(HKICPA) (appointed on 1 September 2019)*
Mr. Leung Wing Lun *(HKICPA)*

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, Upper G/F
Stage 4 Yau Tong Industrial Building
18–20 Sze Shan Street
Yau Tong, Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. 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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

Fortune Financial Capital Limited

LEGAL ADVISER AS TO HONG KONG LAW

Stephenson Harwood

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China Huizhou Lilin Branch
Agricultural Bank of China Huizhou Lilin Branch

STOCK CODE

1894

COMPANY WEBSITE

http://www.hy-engineering.com

INVESTOR RELATIONS

Financial Asia Group (HK) Limited
Email: hangyick@finasia-group.com
Tel: (852) 2511 2088

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present to our Shareholders our audited annual results of the Group for the year ended 31 March 2020.

This financial year was a tough year for Hong Kong's construction industry under global and local pressures. In the escalation of China-US trade tension since the beginning of 2019, the following social unrest in Hong Kong and the outbreak of the COVID-19 pandemic towards 2020 have further adversely impacted the domestic economic market. The profound economic slowdown has restrained the business growth of the construction industry players with shrinking sizes and numbers of projects during the year. Taking the residential sector as an example, according to the Transport and Housing Bureau, new domestic unit completions shrank 31.3% to 14,421 units from 2018 to 2019, for which the last drop recorded was four years ago.

The above-mentioned external threats adversely impacted our financial performance. During the year ended 31 March 2020, the Group reported an attributable profit to the owner of the Company of HK$12.2 million, representing a decrease of 24.2% from HK$16.1 million in 2019. The earning per share decreased from HK2.4 cents for the year ended 31 March 2019 to HK1.6 cents for the year ended 31 March 2020. The decrease in profit this financial year was primarily due to the intense market competition and the increasing costs of construction.

Although there are uncertainties, we will remain steadfast to our core value and fully commit to serving our customers. These values and attitudes will help us to confront the challenges. We expect that large-scale of infrastructure projects and public housing development projects will continue, as housing issue is one of the most pressing needs in Hong Kong. I believe that these projects will benefit the Group and the construction industry as a whole.

I would also like to take this opportunity to express, on behalf of the Board, our sincere gratitude to all of our staff and management team, whose dedication led the Group to another challenging year. The continuous trust and support from our Shareholders, investors, business partners, and clients have also given momentum to our long-term business development. We will strive for the best interest of the Group and its stakeholders.

Lee Pui Sun

Chairman and Executive Director

Hong Kong, 30 June 2020

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lee Pui Sun

Lee Pui Sun (李沛新), aged 63, is the Chairman, chief executive officer and our executive Director and Controlling Shareholder. He is primarily responsible for the overall strategic management and development of our Group's business operations.

Mr. PS Lee has more than 37 years' experience in the gate engineering industry. In June 1982, Mr. PS Lee established Hang Yick Gate Eng Co. (恒益捲閘工程公司) a sole proprietorship in Hong Kong, which was principally engaged in the business of gate engineering and had ceased its business in March 2018. In January 1993, Mr. PS Lee founded Hang Yick HK with Ms. LC Lau. Mr. PS Lee is also a director of HY Metal, Hang Yick HK, HY China, HY Capital, CDI HY HK, CDI HY SZ, CDI HY ZJ, Fujian Hejin, Sunshine, Huizhou Hengyi and Huizhou Yicun and the supervisor of CDI HY RE ZJ.

Mr. PS Lee is spouse of Ms. LC Lau, our executive Director, the father of Mr. KH Lee, our executive Director, and Mr. Benny Lee, our non-executive Director.

Ms. Lau Lai Ching

Lau Lai Ching (劉麗菁), aged 62, is our executive Director and Controlling Shareholder. She is primarily responsible for overseeing our Group's finance and administration.

Ms. LC Lau has more than 27 years' experience in the gate engineering industry. In January 1993, Ms. LC Lau founded Hang Yick HK with Mr. PS Lee. In 2003, Ms. LC Lau established Hang Yick Metal Products (恒益五金製品), a sole proprietorship in Hong Kong providing wholesales, retail sales and engineering services and ceased its business in March 2018. Ms. LC Lau is also a director of HY Metal, Hang Yick HK, HY China, HY Capital, Sunshine and CDI HY HK.

Ms. LC Lau is the spouse of Mr. PS Lee, the Chairman, chief executive officer and our executive Director, the mother of Mr. KH Lee, our executive Director, and Mr. Benny Lee, our non-executive Director.

Biographical Details of Directors and Senior Management

Mr. Lee Ka Ho *(appointed on 28 June 2019)*

Lee Ka Ho (李嘉豪) ("Mr. KH Lee"), aged 32, was appointed as our executive Director on 28 June 2019. He is responsible for the financial and compliance matters of the Group. He has over eight years of experience in accounting and finance. Prior to joining the Group, Mr. KH Lee worked as an accountant and audit manager in international accounting firms between December 2011 and May 2019, and his last position was audit manager at KPMG.

Mr. KH Lee holds a bachelor's degree in Commerce (Accounting) from University of Adelaide and he is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. KH Lee is also a director of Hang Yick HK, HY CDI CT SZ and the supervisor of CDI HY SZ, CDI HY ZJ and Fujian Hejin.

Mr. KH Lee is the son of Mr. PS Lee and Ms. LC Lau, both of whom are our executive Directors and Controlling Shareholders, and the younger brother of Mr. Benny Lee, our non-executive Director.

Mr. Pang Ming *(appointed on 28 June 2019)*

Pang Ming (彭明) ("Mr. Pang"), aged 39, was appointed as our executive Director on 28 June 2019, and has extensive experience in finance and investment, including property investment, equity investment and real estate investment trust. Mr. Pang is responsible for formulating the Group's business strategy in the PRC.

Prior to joining the Group, Mr. Pang was the vice-president of Shenzhen Saite Construction Consulting Company Limited* (深圳賽特建築工程諮詢有限公司), a wholly-owned subsidiary of China Saite Group Company Limited (中國賽特集團有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 153)), which engages in construction consulting business in the PRC. Mr. Pang is currently a director of Capital Development Investment Holdings Limited, which mainly engages in property development and investment in the PRC. He is also one of the shareholders of Capital Development Investment Holdings Limited, which entered into a non- legally binding strategic cooperation framework agreement with the Group on 21 December 2018. For further details, please refer to the announcement of the Company dated 21 December 2018. Further, Mr. Pang is the sole director and beneficial owner of Capital Development, which directly holds 25% of HY Capital, a joint venture which is indirectly held as to 60% by the Company. For further details, please refer to the announcement of the Company dated 17 April 2019. Mr. Pang is also the general manager of B&R Investment Holding Limited (絲路投資控股有限公司), a wholly-owned subsidiary of Great Wall Belt & Road Holdings Limited (長城一帶一路有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 524)) which engages in property development in the PRC.

Mr. Pang holds the Master of Business Administration degree from the University of Management and Technology. Mr. Pang is also a director of CDI HY ZJ and CDI HY RE ZJ.

NON-EXECUTIVE DIRECTORS

Mr. Lee Ka Chun Benny

Lee Ka Chun Benny (李嘉俊) ("Mr. Benny Lee"), aged 34, was appointed as our non-executive Director on 14 May 2018. He is primarily responsible for providing strategic advices to our Group.

Mr. Benny Lee has been appointed as director of Hang Yick HK since December 2017. Prior to joining the Group, Mr. Benny Lee worked as accounts assistant of accountant department in Dimerco Express Singapore Pte Ltd, a shipping and logistics services provider, from August 2012 to September 2014. He has been appointed as accounting officer of finance department at Fitness First Singapore Pte Ltd since October 2014.

Mr. Benny Lee has more than six years' experience in accounting, and was admitted as member of CPA Australia in November 2016. He obtained a bachelor's degree of commerce, major in accounting from the University of Adelaide in Australia in December 2008, and a master's degree in management from the University of South Australia in August 2010.

Mr. Benny Lee is the son of Mr. PS Lee and Ms. LC Lau, both of whom are our executive Directors and Controlling Shareholders, and the elder brother of Mr. KH Lee, our executive Director.

Mr. Zhang Chen *(appointed on 1 January 2020)*

Zhang Chen (張晨) ("Mr. Zhang"), aged 47, was appointed as our non-executive director on 1 January 2020, and has over 26 years of experience in banking industry.

Prior to joining the Group, Mr. Zhang worked at Industrial and Commercial Bank of China Limited ("ICBC") from August 1993 to July 2016 and served in various positions. Mr. Zhang acted as the vice president of ICBC Shenzhen Futian Branch from August 2007 to March 2009, and he was the president of ICBC Shenzhen Qianhai Branch and ICBC Shenzhen Yantian Branch from April 2009 to November 2013 and from January 2014 to July 2016, respectively. Mr. Zhang acted as the chief executive officer of Banco Well Link, S.A. from September 2017 to November 2018 and was a director of Banco Well Link, S.A. from September 2017 to March 2019. Mr. Zhang has been a director of Well Link Securities Limited since March 2019.

Mr. Zhang obtained his bachelor's degree in engineering in Northwestern Polytechnical University (西北工業大學) in the People's Republic of China, in July 1993, and a master degree in accounting from the school of business in Renmin University of China (中國人民大學) in June 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au Yeung Wai Key

Au Yeung Wai Key (歐陽偉基) ("Mr. Au Yeung"), aged 61, was appointed as the independent non-executive Director on 19 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. Mr. Au Yeung is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Au Yeung has more than 25 years' experience in handling various construction projects in Hong Kong, Macau and the PRC. He previously worked as a graduate engineer at Mott Connell Limited from October 1991 to June 1992. From July 1992 to July 1995, he worked as a structural engineering graduate at the Architectural Services Department. Mr. Au Yeung worked as engineer at Maunsell Consultants Asia Ltd from June 1995 to February 1997. He worked as a senior structural engineer in Ove Arup & Partners Hong Kong Ltd. from March 1997 to January 2002 and from December 2007 to October 2017. From March 2002 to September 2005, he worked as a project engineer at Greg Wong and Associates Ltd. He worked as a project manager at Yau Lee Construction Co., Ltd from September 2005 to December 2007. He has worked as a senior project engineer at the Airport Authority Hong Kong since October 2017.

Mr. Au Yeung obtained a bachelor's degree in civil engineering from the University of Westminster in the United Kingdom in July 1991 and a degree of master of science in engineering from the University of Hong Kong in December 1998. He has been a member of The Institute of Structural Engineers since October 1995, a member of The Hong Kong Institution of Engineers since September 1996, a member of The Institution of Engineers, Australia since March 1996 and a member of The Institution of Civil Engineer since July 1999. He worked as a part-time lecturer in Vocational Training Council Technical Institutes (currently known as Hong Kong Institute of Vocational Education) from March 1994 to July 2007 and from September 2016 to August 2017.

Hon Cheung Kwok Kwan

Hon Cheung Kwok Kwan, *JP* (張國鈞，太平紳士) ("Hon Cheung"), aged 46, was appointed as our independent non-executive Director on 19 September 2018. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Hon Cheung is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group.

Hon Cheung obtained a bachelor's degree of laws and a postgraduate certificate in laws from the City University of Hong Kong in November 1997 and August 1998 respectively. Hon Cheung was admitted as a solicitor in Hong Kong in September 2000 and is a partner of Cheung & Yeung, Solicitors. He was an Elected Member of Central and Western District Council from January 2012 to December 2019 and was appointed as a Justice of the Peace in July 2014. He was then elected as a Legislative Council member of Hong Kong since October 2016. He was also appointed as a non-official member of the Executive Council since July 2017, a member of the Hong Kong Housing Authority since 2015 and China-Appointed Attesting Officer since December 2015. Hon Cheung was appointed as an independent non-executive director of Innovax Holdings Limited (stock code: 2680), a company whose shares are listed on the Main Board of the Stock Exchange, from August 2018 to February 2020, and he is also a non-executive director of The Hong Kong Mortgage Corporation Limited.

Tse Ka Ching Justin

Tse Ka Ching Justin (謝嘉政) ("Mr. Tse"), aged 33, was appointed as our independent non- executive Director on 19 September 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Tse is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group. Mr. Tse worked in KPMG as an audit manager from August 2010 to April 2018. Mr. Tse has worked as senior finance manager at Pacific Tiger Group Limited since April 2018.

Mr. Tse obtained a bachelor of science degree with honours in human biology in the University of Toronto in Canada in June 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2014.

Mr. Tse has been appointed as an independent non-executive director of Vicon Holdings Limited (stock code: 3878), a company whose shares are listed on the Main Board of the Stock Exchange, since May 2019.

SENIOR MANAGEMENT

Leung Wing Lun (梁穎麟) ("Mr. Leung"), aged 38, joined our Group in July 2017 and is the company secretary of our Group.

Mr. Leung obtained a bachelor's degree in business administration major in accounting from City University of Hong Kong in November 2004. Mr. Leung has been a Hong Kong Certified Public Accountant since February 2010.

Mr. Leung has more than 15 years' experience in providing professional corporate services. Prior to joining our Group, Mr. Leung worked in Hop Fung Group Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 2320) from July 2004 to August 2005. He served in the Inland Revenue Department as contracted assistant taxation officer in Hong Kong from September 2005 to March 2006. From March 2006 to July 2011, Mr. Leung worked as tax consultant at Thomas Lee & Partners Ltd. In November 2010, Mr. Leung founded Superior Alliance Group Company Limited and he has been acting as its director since then.

Mr. Leung has also been appointed as the company secretary of Da Sen Holdings Group Limited (stock code: 1580), a company whose shares are listed on the Main Board of the Stock Exchange, since April 2019 and Maike Tube Industry Holdings Limited (stock code: 1553), a company whose shares are listed on the Main Board of the Stock Exchange, since April 2019.

Wu Hing Yin Remzi (吳謦燃) ("Mr. Wu"), aged 31, joined our Group in November 2017 and is the chief operating officer of our Group. He is primarily responsible for the overall strategic management and development of our Group's business operations in the PRC, administration, compliance, capital market investment and financing business and investor relations.

Mr. Wu obtained a bachelor's degree in Government and Public Administration in Social Science from The Chinese University of Hong Kong in December 2010. Prior to joining our Group, Mr. Wu has extensive experience in investment and participated in various initial public offering projects.

Mr. Wu is also the director and shareholder of CDI Shankly, which is one of the shareholders of HY Capital.

Biographical Details of Directors and Senior Management

Lai Kam Fai (黎錦輝) ("Mr. Lai"), aged 47, joined our Group in March 2019 and is the technical director of our Group. He is primarily responsible for overseeing the engineering and technical aspects of various projects of our Group.

Mr. Lai obtained a bachelor's degree in civil engineering from the University of Southern California in the United States in 1996 and a postgraduate diploma in Construction Law and Arbitration in 2003. Mr. Lai has been a member of Institution of Civil Engineers since 2002, a member of the Hong Kong Institution of Engineers since 2004 and a Registered Professional Engineer under the Hong Kong Engineers Registration Board since 2005.

Mr. Lai has over 20 years' experience in handling civil engineering projects in Hong Kong and Macau.

Ho Wang Shun (何宏信) ("Mr. Ho"), aged 47, joined our Group in March 2004 and is the project manager (design) of our Group. He is primarily responsible for product design, safety check and fulfilment of products.

Mr. Ho obtained a bachelor's degree in mechanical engineering from Ryerson Polytechnic University (currently known as Ryerson University) in Canada in June 1996.

Mr. Ho has more than 20 years' experience in the gate engineering industry. Prior to joining our Group, Mr. Ho was employed by Sanwa Shutter (HK) Limited from October 1996 to December 2003 with his last position as design manager.

Sin Kwok Chi Stephen (冼國持) ("Mr. Sin"), aged 49, joined our Group in February 2004 and is the chief project manager of our Group. He is primarily responsible for management of the engineering department.

Mr. Sin obtained a diploma in mechanical engineering from Haking Wong Technical Institute (currently known as The Hong Kong Institute of Vocational Education (Haking Wong)) in August 1991. He also obtained a higher certificate in mechanical engineering and a bachelor's degree in building services engineering, from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) and Hong Kong Polytechnic University in November 1993 and November 2002, respectively.

Mr. Sin has more than 20 years' experience in the gate engineering industry. Prior to joining our Group, Mr. Sin was employed by Sanwa Shutter (HK) Limited from November 1993 to June 2003 with his last position as senior engineer manager.

Yeung Leung Yu Water (楊琅儒) ("Mr. Yeung"), aged 48, joined our Group in March 2000 and is the project manager of our Group. He is primarily responsible for project management, quality control and construction in sites.

Mr. Yeung completed his secondary education in July 1989.

Mr. Yeung has around 20 years' experience in the gate engineering industry. Prior to joining our Group, Mr. Yeung was employed by Sanwa Shutter (HK) Limited from December 1995 to January 2000 with his last position as an engineer.

Management Discussion and Analysis

TUNG CHUNG

— Steel and metal works

TSEUNG KWAN O

— Steel and metal works

BUSINESS REVIEW

Overview

The Group is principally engaged in the provision of steel and metal engineering services and metal products for construction projects in Hong Kong. In addition, the Group has recently expanded into the People's Republic of China (the "PRC") market for the provision of construction services as well as real estate development.

2020 is a tough year for the Group. Despite the Group recorded revenue of approximately HK$200.4 million for the year ended 31 March 2020, the overall profitability decreased as a result of the intense competition over the market and the COVID-19 pandemic in the second half of the financial year. The COVID-19 pandemic caused not only a temporary shutdown of the economic activities in both Hong Kong and the PRC, but also deterring capital expenditures which negatively impacting the progress of the site and the tender strategy. The above factors caused a tremendous pressure on the Group's operation and the profit for the year fell below our expectation.

Review of operations and business development

During the year, the Group secured the following major steel and metal works contracts (with contract sum of more than HK$10 million):

Project type	**Location**
Public rental housing development	Fanling
Private development	Wong Chuk Hang

Hong Kong

Provision of steel and metal engineering services

The Group's engineering services range from design, manufacture, supply to installation of steel and metal products such as roller shutters and metal doors for construction projects in Hong Kong. It serves customers including construction companies and engineering companies on a project-by-project basis.

During the year, this segment recorded a revenue of approximately HK$174.8 million (2019: HK$147.9 million) and secured new contracts with aggregate contract sum of HK$101.6 million. As at 31 March 2020, the total value of contracts on hand was HK$194.6 million.

Sales of steel and metal products

Revenue from the sales of steel and metal products decreased by approximately 25% as a result of the decrease in demand of the collapsible gates.

The PRC

Provision of steel and metal engineering services

During the year, the Group secured one new contract with contract sum of RMB98 million. As at 31 March 2020, the total value of contracts on hand was approximately RMB648 million.

All secured contracts were still in a preliminary stage and no revenue earned during the year ended 31 March 2020.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The outbreak of COVID-19 pandemic has adversely impacted the domestic economic market and Hong Kong's construction industry. The profound economic slowdown has restrained the business growth of the construction industry players with shrinking sizes and numbers of projects since the outbreak of COVID-19 pandemic. As the situation remains fluid as at the date of this report, the Directors considered that the financial impact of the COVID-19 pandemic on the Group's consolidated financial statements cannot be reasonably estimated. The Directors will continue to monitor the situation closely.

OUTLOOK

Hong Kong

The Hong Kong economy experienced a contraction in last year as a result of the social unrest and COVID-19 pandemic which has led to a more conservative investment strategy.

Nevertheless, the construction industry is still promising and should benefit from the Hong Kong Government's unwavering commitment to housing issue. In the 2019 Policy Address, the Chief Executive proposes to invoke the Lands Resumption Ordinance and redeveloped the factory estates with an aim in boosting public housing supply. In addition, the Transport and Housing Bureau estimated the public housing production for the next 10 years (2020 to 2030) will be approximately 272,000 units in the Long-Term Housing Strategy 2019 which is twice as the actual public housing production in the last decade (2010 to 2020). All of these government policies and strategies are positive signals to construction industry.

However, shortage of skilled labour, high construction cost and increasing competition still remain to be the major challenges for the construction industry. As such, cost control and new construction technique will be a key factor for success. The Group will remain innovative and strive to maintain our position in Hong Kong.

The PRC

The Mainland China business of the Group is still under development, and the contracts secured during the year were yet to commence due to the outbreak of the COVID-19 pandemic. Nevertheless, the management expects to manifest a strong result in the coming year when business activities in the PRC gradually resumes to normal.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Our revenue relies on successful quotation or tenders of engineering services projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers;

- Reduction or termination of public sector projects in Hong Kong may adversely affect our revenue and results of operations;

- Failure to estimate the costs involved accurately in the implementation of the project and delay in completion of the project which may adversely affect our operating results and financial position;

- We plan to expand our capacity by acquiring equipment and expanding manpower which may result in an increase in expense and staff costs which may adversely affect our operating results and financial position; and

- We plan to expand our business in the PRC, any changes in the PRC's economic, political and social conditions as well as government policies, could adversely affect our business, financial condition, result of operation and prospects.

FINANCIAL REVIEW

Revenue

The revenue of the Group has increased by approximately 10.2% from approximately HK$181.9 million in FY2019 to approximately HK$200.4 million in FY2020, which was driven by the increase in revenue from the provision of steel and metal engineering services.

The Group generated revenue from two business segments, namely, provision of steel and metal engineering services and sales of steel and metal products. The following table sets the two segments revenue by amount and a percentage of the revenue for the periods presented:

	Year ended 31 March			
Segment Revenue	**2020**		2019	
	HK$'000	**%**	HK$'000	%
Provision of steel and metal engineering services	**174,773**	**87.2**	147,855	81.3
Sales of steel and metal products	**25,607**	**12.8**	34,071	18.7
	200,380	**100**	181,926	100

Provision of steel and metal engineering services

Revenue from the provision of steel and metal engineering services increased approximately 18.2%, from approximately HK$147.9 million in FY2019 to approximately HK$174.8 million in FY2020.

The increase in revenue was primarily due to the significant progress on the public housing projects located in North West Kowloon Reclamation Site, Tseung Kwan O and Sham Shui Po.

Sales of steel and metal products

Revenue from the sales of steel and metal products decreased 24.8% from approximately HK$34.1 million in FY2019 to approximately HK$25.6 million in FY2020. The decrease was driven by the decrease in demand of the standardized collapsible gates as the five-year replacement of old-type collapsible gate programme launched by the Housing Authority in 2015 was substantially completed.

Direct costs

Our direct costs primarily consist of direct material costs, direct labour costs, installation service fees, sub-contracting costs and other costs.

The direct costs increased approximately 24.1% from approximately HK$121.4 million in FY2019 to HK$150.6 million in FY2020. The increase was mainly attributable to an increase in the labour costs and sub-contracting costs.

Gross profit and gross profit margin

The gross profit of the Group decreased approximately 17.7% from approximately HK$60.5 million in FY2019 to approximately HK$49.8 million in FY2020 and gross profit margin decreased from approximately 33.2% for FY2019 to approximately 24.8% for FY2020.

The decrease in gross profit margin was mainly attributable the intense competition in the market which negatively impacted the profitability. In addition, the social unrest and the COVID-19 pandemic also led to an increase in the overall operating cost of the construction sites of on-going projects.

Other income and other gains and losses

Other income and other gains and losses mainly represented interest income, sales of scrap materials and exchange difference.

The Group recorded a loss of approximately HK$0.2 million in 2020 mainly due to the exchange loss of HK$2.4 million as a result of the depreciation of RMB. The losses were partially offset by the interest income of approximately HK$1.0 million and HK$0.8 million from the loan to an associate and bank deposits, respectively.

Finance costs

Our finance cost increased from approximately HK$0.1 million in FY2019 to HK$2.1 million in FY2020. The increase was primary associated with the increase in bank interest expenses arising from the increase in average bank loan balances.

Administrative expenses

The administrative expense increased by approximately 28.9% from approximately HK$23.2 million in FY2019 to approximately HK$29.9 million in FY2020. The increase was driven by the increase in Directors' emoluments of approximately HK$2.0 million and the operating cost of approximately HK$4.6 million of the Group's new PRC office.

Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets

For the year ended 31 March 2020, the Group made provision for expected credit loss amounted to approximately HK$1.7 million in aggregate (FY2019: HK$3.6 million). Out of such provision, approximately HK$0.7 million was made on credit-impaired trade receivables.

Share of loss of an associate

Our share of results of an associate was a net loss of approximately HK$0.3 million as it was still in early development and no profit was earned during the year.

Income tax expense

Out income tax expenses decreased from approximately HK$7.0 million in FY2019 to approximately HK$5.4 million in FY2020 primary due to the decrease in operating profits earned in Hong Kong.

The overall effective tax rate of the Group increased from approximately 30.5% in 2019 to approximately 34.4% in 2020. The increase was due to the non-deductible expenses in the new PRC office.

Profit attributable to the owners of the company

As a result of the foregoing, the profit attributable to the owners of the Company decreased from approximately HK$16.1 million in FY2019 to approximately HK$12.2 million in FY2020, a decrease of approximately 24.2%.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2020, the Group had total cash and cash equivalents of approximately HK$60.6 million (2019: HK$55.0 million), total assets of approximately HK$333.3 million (2019: HK$286.3 million) and total interest-bearing debts of approximately HK$64.4 million (2019: HK$30.0 million).

The gearing ratio of the Group, calculated based on the total interest-bearing debts (including bank borrowings) divided by the total equity attributable to owners of the company as at the end respective years and multiplied by 100%, was approximately 25.9% (2019: approximately 12.3%). The Group considers the use of debt financing as one of the key funding sources for business expansion after considering the current market interest rate level.

Cash and cash equivalents

There was an increase in the balance of cash and cash equivalents of approximately HK$5.6 million from approximately HK$55.0 million as at 31 March 2019 to approximately HK$60.6 million as at 31 March 2020.

During the year, the Group has a net cash outflow of HK$10.9 million in its operating activities (mainly due to the increase in trade receivables, other receivables, deposit and prepayment, and contract assets and decrease in trade and other payables), a net cash outflow of HK$7.8 million in its investing activities (mainly due to net cash outflows on placement of deposits for securing construction contracts and deposit paid for acquisition of property, plant and equipment, advance to an associate, netting off net cash inflows on withdrawal of short-terms bank deposits), and a net cash inflow of HK$24.8 million in its financing activities (mainly due to new bank loans raised, netting off dividends paid to shareholders and repayment of bank borrowings).

Borrowings

The major source of debt financing of the Group was mainly from banks. As at 31 March 2020, the Group had bank borrowings of approximately HK$64.4 million (2019: HK$30.0 million). All of the bank borrowings were with a repayment on demand clause. The bank borrowings were at floating rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.8%–2.0% per annum.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2020, the bank deposits and the investment in life insurance contract of the key management of the Group with an aggregate value of approximately HK$46.3 million (2019: bank deposits of HK$40.0 million) was pledged to the banks to secure the general facility granted to the Group.

LITIGATION, CLAIMS AND NON-COMPLIANCES

For the year ended 31 March 2020, the Group was not engaged in any material litigation or arbitration and no material litigation or claim is known to the Directors to be pending or threatened against the Group.

FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar against RMB.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

INTEREST RATE RISK

The Group exposed to interest rate risk primarily due to the bank facilities with floating interest rate. For the years ended 31 March 2019 and 31 March 2020, the Group did not have any interest rate hedging policy. However, the management will continue to closely monitor the Group's interest risk exposure and will consider hedging interest rate risk when necessary.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

For the year ended 31 March 2020, the Group has contributed approximately HK$1.5 million and HK$20.6 million in the acquisition of property, plant and equipment and deposit paid for acquisition of property, plant and equipment, respectively. The contributions are mainly for the expansion of our production capacity, of which approximately HK$21.7 million was financed by the net proceeds from the Listing.

As at 31 March 2020, the Group had expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain plant and equipment in a total amount of about HK$32.6 million (No material capital commitment as at 31 March 2019).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020 and 2019.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 March 2020.

Report of the Directors

The Directors are pleased to present this directors' report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group provides steel and metal engineering services ranging from design, manufacture, supply and installation of steel and metal products for construction projects in Hong Kong. The Group also sells its steel and metal products to customers, which the Group is not required to provide installation works and after-sale services. Details of the principal activities of the principal subsidiaries are set out in note 42 of the consolidated financial statements of the Group in this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2020 and the discussion on the Group's future business development are set out in the section headed "Management Discussion and Analysis" in this annual report. The description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis" on pages 14 to 20 of this annual report.

The environmental policies and performance, and relationships with employees are set out in the Environmental, Social and Governance Report on pages 41 to 52 of this annual report.

Relationships with employees, customers and suppliers

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing performance appraisal system, and to promote career development and progression by offering training and providing opportunities within the Group for career advancement.

Customers

The Group's principal customers are construction companies in Hong Kong who subcontract the steel and metal engineering works of their projects to us, as well as small and medium size contracts and engineering companies. The Group provides professional and quality services whilst maintaining long term profitability and business growth.

Suppliers

We firmly believe that our suppliers are equally important in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position when bidding for tenders. We proactively communicate with our subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require us to engage subcontractors and suppliers nominated by them, we will select subcontractors and suppliers from our pre-qualified lists of subcontractors and suppliers. In addition, during the continuance of the contracts with our subcontractors, we will supply them with our internal guidelines on safety and environmental issues and require them to follow.

During the year ended 31 March 2020, there was no material dispute or disagreement between the Group and its employees, customers or suppliers.

Compliance with the relevant laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. So far as the Directors is aware, the Group has complied in all material respects with the relevant laws and regulations that have significant impact on the business of the Group.

RESULTS AND DIVIDENDS

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 59 of this annual report.

An interim dividend of HK0.3 cents per Share was paid on 30 December 2019.

The Board does not recommended the payment of a final dividend for the year ended 31 March 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Monday, 7 September 2020. The notice of the annual general meeting will be issued and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 annual general meeting. In order to be entitled to attend and vote at the 2020 annual general meeting, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 1 September 2020 (Hong Kong time).

USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK$161.5 million through the global offering upon the Listing. After deducting the listing expenses, the net proceeds amounted to approximately HK$130.0 million. Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 28 September 2018 (the "Prospectus"), the below table sets out the proposed application and the status of utilisation.

As at 31 March 2020, the net proceeds from the global offering had been applied as follows:

	Planned (HK$'000)	Net Proceeds Utilised as at 31 March 2019 (HK$'000)	Net Proceeds Utilised during the year ended 31 March 2020 (HK$'000)	Net Proceeds Utilised as at 31 March 2020 (HK$'000)	Unutilised (HK$'000)	Estimated schedule (Note)
Acquiring machines to replace and enhance the Group's production capacity	51,200	1,763	19,666	21,429	29,771	2021-2022
Expanding the Group's workforce in Hong Kong and the PRC	33,700	519	4,460	4,979	28,721	2021-2022
Renovation and re-design of the Group's existing production facilities	24,100	798	105	903	23,197	2021-2022
Purchasing delivery trucks	5,000	—	412	412	4,588	2020-2021
Upgrading the Group's information technology system and equipment	3,500	525	1,904	2,429	1,071	2020-2021
General working capital	12,500	12,500	—	12,500	—	Fully utilised
	130,000	16,105	26,547	42,652	87,348	

Note: The estimated schedule for utilising the remaining proceeds is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.

As at 31 March 2020, the Group had not yet utilised the proceeds for (a) expanding the Group's workforce in Hong Kong and the PRC, and (b) the renovation and re-design of the Group's existing production facilities as planned. The delay in utilisation of the proceeds were due to tight production schedule to catch up with the seriously delayed construction progress and difficulty in recruiting suitable skilled labour.

The Group will continue to apply the net proceeds in accordance to the disclosure in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the five financial years is set out on page 136 of this annual report. This summary does not form part of the Group's consolidated financial statements.

DONATIONS AND CONTRIBUTIONS

Donations and contributions by the Group for charitable and other purpose amounted to HK$44,500 for the year ended 31 March 2020 (2019: HK$1,012,000).

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2020 are set out in note 30 to the consolidated financial statements in this annual report.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 March 2020, the Company's reserves available for distribution, 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$161,833,000 (2019: HK$170,349,000).

DIRECTORS

The Directors during the year were:

Executive Directors

Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*
Ms. Lau Lai Ching
Mr. Lee Ka Ho *(appointed on 28 June 2019)*
Mr. Pang Ming *(appointed on 28 June 2019)*

Non-executive Directors

Mr. Lee Ka Chun Benny
Mr. Zhang Chen *(appointed on 1 January 2020)*

Independent Non-executive Directors

Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, *JP*
Mr. Tse Ka Ching Justin

In accordance with the Articles, Mr. Lee Pui Sun, Mr. Lee Ka Ho, Mr. Pang Ming and Mr. Zhang Chen will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmations from Mr. Au Yeung Wai Key, Hon Cheung Kwok Kwan, JP and Mr. Tse Ka Ching, Justin, in respect of their independence in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The executive Directors and the non-executive Director have entered into service agreements with the Company and each of the independent non-executive Directors signed an appointment letter with the Company, for a term of three years commencing from the Listing Date which may be terminated by either party with three months' written notice. All Directors were appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DEED OF NON-COMPETITION

The Company entered into a deed of non-competition with the Controlling Shareholders namely, Mr. PS Lee, Ms. LC Lau and HY Steel on 19 September 2018 so as to better safeguard the Group from any potential competition and to formalise the principles for the management of potential conflicts between them and to enhance our corporate governance in connection with the Listing on 12 October 2018.

The independent non-executive Directors have reviewed compliance by the Controlling Shareholders and confirmed that based on the confirmation and information provided by each of the Controlling Shareholders, they were in compliance with the deed of non- competition during the year ended 31 March 2020.

EMOLUMENT POLICY

The Group has a total of 383 employees in Hong Kong and China as at 31 March 2020. The total salaries and related costs granted to employees amounted to approximately HK$77.8 million for the year ended 31 March 2020. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotion.

The remuneration of the Directors is decided by the Board upon the recommendation from the Remuneration Committee after considering the relevant Director's qualifications, experience, responsibilities, duties and performance. The Company has adopted a Share Option Scheme as an incentive to eligible participants, details of which are set out below in the section headed "Share Option Scheme" in this report. The Group has also participated in the mandatory provident fund retirement benefit scheme in Hong Kong, and the central pension scheme operated by the local municipal government in China.

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 7(a) and 7(b) to the consolidated financial statements, respectively.

DIRECTORS' REMUNERATION

During the year ended 31 March 2020, the Board has reviewed the remuneration of all Directors in response to the impact from the COVID-19 pandemic on the Group's financial performance. Accordingly, adjustments have been made on the remuneration level of each Director on a temporary basis, which have been approved by the Company's remuneration committee and the Board. The new remuneration level for each Director after adjustment during the year ended 31 March 2020 are as follows:

Mr. Lee Pui Sun	HK$930,000
Ms. Lau Lai Ching	HK$930,000
Mr. Lee Ka Ho	HK$504,000
Mr. Pang Ming	HK$630,000

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below, none of the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year ended 31 March 2020.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions, which constituted fully exempted continuing connected transactions of the Group, during the year ended 31 March 2020, details of which are set out in note 38 to the consolidated financial statements of this annual report.

These transactions are de minimus transactions under Rule 14A.76(1) of the Listing Rules and therefore all of them are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.20 AND 13.22 OF THE LISTING RULES

On 11 November 2019, 首建恒益 (廣東) 實業發展有限公司 (CDI Hang Yick Guangdong Development Company Limited*) (the "Lender"), an indirect non-wholly owned subsidiary of the Company, and 佛山市臻裕置業投資有限公司 (Foshan Zhenyu Real Estate Investment Company Limited*) (the "Borrower"), a company indirectly held by the Company through Lender as to 25% which constitutes an affiliated company of the Company, entered into a loan agreement, pursuant to which the Lender agreed to provide a shareholder's loan in the amount of RMB30,000,000 (the "Shareholder's Loan") to the Borrower for a term of 24 months from the date on which the Shareholder's Loan was advanced at an interest rate of 12% per annum with interest payable in arrears every three months. The Borrower shall repay the outstanding amount of the Shareholder's Loan together with any outstanding accrued interest on the maturity date (i.e. date falling 24 months from the date of advance). The Borrower is held as to (i) 25% by the Lender, (ii) 70% by two individuals (namely, Ms. Chen Siyi and Mr. Li Shaoyuan, each an independent third party), and (iii) 5% by a corporation which is ultimately wholly owned by Mr. Li Xindong, an independent third party. As at 31 March 2020, RMB22,500,000 (equivalent to HK$24,626,000) of the facility was utilised.

As the provision of the Shareholder's Loan from the Lender to the Borrower exceeds 8% under the assets ratio (as defined under Rule 14.07 of the Listing Rules), such provision of the Shareholder's Loan constituted an advance to an entity by the Company under Rule 13.13 of the Listing Rules and provision of financial assistance to an affiliated company of the Company under Rule 13.16 of the Listing Rules. For details of the provision of the Shareholders' Loan, please refer to the announcements of the Company dated 11 November 2019 and 12 November 2019.

In compliance with Rule 13.22 of the Listing Rules, the statement of financial position of the Borrower, the affiliated company, as at 31 March 2020 is set out below:

	Statement of financial position HK$'000
Non-current assets	10,217
Current assets	18,726
Current liabilities	(30,460)
Non-current liabilities	—
Net liabilities	(1,517)
Share capital	1,095
Reserve	(2,612)
Capital and reserves	(1,517)

Please refer to note 16 to the consolidated financial statements of this annual report for the attributable interest of the Group in this affiliated company as at 31 March 2020.

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

As at 31 March 2020, the interests or 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 corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be noticed the Company and the Stock Exchange, pursuant to the Model Code, were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company
Mr. PS Lee (Note 2)	Interest in a controlled corporation and interest of spouse	570,000,000(L)	74.26%
Ms. LC Lau (Note 3)	Interest in a controlled corporation and interest of spouse	570,000,000(L)	74.26%

Notes:

1. The letter "L" denotes the director's long position in the Shares.

2. Mr. PS Lee beneficially owns 70% of the issued share capital of HY Steel. Mr. PS Lee is the spouse of Ms. LC Lau and is deemed to be interested in 30% of the issued share capital of HY Steel held by Ms. LC Lau. Therefore, Mr. PS Lee is deemed to be interested in all the Shares held by HY Steel for the purpose of the SFO. Mr. PS Lee is also a director of HY Steel.

3. Ms. LC Lau beneficially owns 30% of the issued share capital of HY Steel. Ms. LC Lau is the spouse of Mr. PS Lee and is deemed to be interested in 70% of the issued share capital of HY Steel held by Mr. PS Lee. Therefore, Ms. LC Lau is deemed to be interested in all the Shares held by HY Steel for the purpose of the SFO. Ms. LC Lau is also a director of HY Steel.

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

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

As at 31 March 2020, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were record in the register required to be kept under section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company
HY Steel (Note 2)	Beneficial owner	570,000,000 (L)	74.26%
Banco Well Link, S.A. (Note 3)	Person holding security interest	414,504,000 (L)	54%
Well Link Holdings Limited (Note 4)	Interest in a controlled corporation	414,504,000 (L)	54%
Xu Chujia (Note 4)	Interest in a controlled corporation	414,504,000 (L)	54%

Notes:

1. The letter "L" denotes the substantial shareholder's long position in the Shares.

2. HY Steel is owned by Mr. PS Lee and Ms. LC Lau as to 70% and 30%, respectively.

3. Pursuant to a deed of share charge dated 28 October 2019, HY Steel pledged 414,504,000 Shares in favour of Banco Well Link S.A. as a security for a loan facility provided by Banco Well Link S.A. to HY Steel. The pledge of Shares as described above does not fall within the scope of Rule 13.17 of the Listing Rules.

4. To the best knowledge of the Directors, Banco Well Link, S.A. is owned as to 44.70% by Well Link Holdings Limited, which is in turn owned as to 97% by Xu Chujia. Therefore, Xu Chujia is deemed to be interested in all the Shares held by Banco Well Link, S.A. as security.

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

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme pursuant to a written resolution passed by its shareholder on 19 September 2018. The Share Option Scheme became unconditional upon the Listing Date. Summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise the contributions that participants have made or may make to the Group with a view to achieve the following objectives, (a) motivate participants to optimise their performance and efficiency for the benefit of the Group, and (b) attract and retain or otherwise maintain ongoing business relationship with the participants whose contributions are, will or expected to be beneficial to the Group.

(ii) Participants

The Board may at its discretion grant options to the following persons as it thinks fit: (a) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (c) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

(iii) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 76,000,000 Shares, being 10% of the shares in issue as at the Listing Date. 24,000,000 share options had been granted by the Company under the Share Option Scheme up to the date of this annual report. Therefore, the number of Shares available for issue under the Share Option Scheme is 52,000,000 Shares, representing approximately 6.77% of the issued shares capital of the Company as at the date of this annual report.

(iv) Maximum entitlement of each participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each participant under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being.

(v) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of termination thereof.

(vi) Minimum period

The Board at its discretion may impose such terms and conditions of the offer of grant on a case-by-case basis including but not limited to the minimum period for which an option must be held.

(vii) Payment on acceptance of option

A consideration of HK$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company is payable by the participant who accepts the grant of an option in accordance with the terms of the Share Option Scheme on acceptance of the grant of an option.

(viii) Basis of determining the exercise price

The exercise price of the share option will be determined at the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be on a day on which the Stock Exchange is open for the business of dealing in securities; (b) an amount equivalent to the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the relevant option; and (c) the nominal value of a Share on the date of grant.

(ix) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years, after which no further options may be issued but the provisions of the Share Option Scheme shall remain in force in all other respects.

The movements of share options during the year ended 31 March 2020 were as follows:

Category of grantees	Date of grant	Exercisable period	Exercise price per Share (HK$)	Granted	As at 31 March 2019	Exercised	Cancelled	Forfeited	As at 31 March 2020
Senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	4,350,000	—	(25,000)	—	4,325,000
		11 January 2023 to 10 January 2024	1.53	4,400,000	4,350,000	—	(25,000)	—	4,325,000
		11 January 2019 to 10 January 2020	1.53	7,600,000	—	—	—	—	—
Consultant	11 January 2019	11 January 2019 to 10 January 2021	1.53	7,600,000	7,600,000	—	—	—	7,600,000

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, the aggregate revenue from the Group's largest customer and five largest customers accounted for approximately of 29.2% and 69.4% of the total revenue, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately of 15% and 40.0% of the total purchases for the year ended 31 March 2020, respectively.

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the number of issued Shares in the Company) had any beneficial interest in the Group's five largest customers or suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float requirements under the Listing Rules during the year ended 31 March 2020 and up to the date of this annual report.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Details of the significant events of the Group subsequent to the end of the reporting period are set out in note 43 to the consolidated financial statements of this annual report.

PERMITTED INDEMNITY PROVISION

During the year ended 31 March 2020, a permitted indemnity provision as required by the Companies Ordinance (Chapter 622, the Laws of Hong Kong) was in force for the benefits of all Directors.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2020 have been audited by Messrs. Deloitte Touche Tohmatsu.

Messrs. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment. A resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LEE Pui Sun
Chairman

Hong Kong 30 June 2020

Corporate Governance Report

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 March 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to protect the interest of its Shareholders and to place importance on its corporate governance system.

This report describes the Company's corporate governance practices and structures that were in place during the financial year ended 31 March 2020, with specific reference to the principles and guidelines of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

During the year ended 31 March 2020, in the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation as mentioned below:

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. PS Lee currently serves as the chairman of the Board and the chief executive officer of our Group. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

All the Directors confirmed, upon specific enquiry made, that they have complied with the Model Code during the year ended 31 March 2020 and up to the date of this report.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, and delegates day-to-day operations to the management team of the Group. The Board provides directions to the management team by laying down strategies and plans, and then oversees the implementation performed by the management team. The Board also timely monitors the Group's operational and financial performance through monthly reports prepared by the management team of the Group. The Board also reviews the compensation policies, succession planning, internal control system and risk management system regularly through various committee established under the Board.

Composition

The Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*
Ms. Lau Lai Ching
Mr. Lee Ka Ho *(appointed on 28 June 2019)*
Mr. Pang Ming *(appointed on 28 June 2019)*

Non-executive Directors

Mr. Lee Ka Chun Benny
Mr. Zhang Chen *(appointed on 1 January 2020)*

Independent Non-executive Directors

Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, *JP*
Mr. Tse Ka Ching Justin

The relationships among members of the Board have been disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. During the year ended 31 March 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

Independence of the independent non-executive Directors

The Company has received annual written confirmations from all independent non-executive Directors with regard to their independence, and therefore the Company still consider, based on the guidelines set out in Rule 3.13 of the Listing Rules, that all independent non-executive Directors to be independent.

Continuous professional development

During the year ended 31 March 2020, all of the Directors participated in continuous professional development by either attending external seminars and conferences, or reading materials relating corporate governance practices, directors' duty and the Listing Rules.

Appointment & re-election of Directors

The procedures and process of appointment and re-election of the Directors are laid down in the Articles. Pursuant to the Articles, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by the Shareholders.

Mr. PS Lee, Mr. Lee Katto, Mr. Pang Ming and Mr. Zhang Chen will retire from office as Directors at the forthcoming annual general meeting and they, being eligible, offer themselves for re-election thereat.

Indemnity of Directors

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

Board Committees

The Board has established three Board committees, being the Audit Committee, the Nomination Committee and the Remuneration Committee, to oversee different areas of the Company's affairs. The terms of reference of the Board committees are published on the Company's website and the website of the Stock Exchange.

Audit Committee

Our Company established the Audit Committee on 19 September 2018 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process, internal control and risk management system, nominate and monitor external auditors, provide advice and comments to the Board on matters related to corporate governance and perform other duties and responsibilities as assigned by the Board.

The Audit Committee is currently chaired by Mr. Tse Ka Ching, Justin and the other members of the Audit Committee are Mr. Au Yeung Wai Key and Hon Cheung Kwok Kwan, *JP*. All members of the Audit Committee are independent non-executive Directors. The work performed by the Audit Committee during the year ended 31 March 2020 comprises the following:

— reviewed the annual results announcement and the annual report of the Group for the year ended 31 March 2019;

— reviewed the interim results announcement and the interim report of the Group for the six months ended 30 September 2019;

— made recommendations to the Board on reappointment of the Company's external auditor;

— approved the remuneration and terms of engagement of the Company's external auditor;

— reviewed and monitoring the independence of the Company's external auditor, objectivity and the effectiveness of the audit process;

— reviewed the effectiveness and resources of the risk management and internal control systems of the Group;

— reviewed the Group's risk management and financial control system; and

— reviewed the Group's accounting policies and practices.

Subsequent to 31 March 2020 and up to the date of this report, the Audit Committee has also review the annual results announcement and the annual report of the Group for the year ended 31 March 2020.

Remuneration Committee

Our Company established the Remuneration Committee on 19 September 2018 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on our Company's policy for human resource management as well as establish and review policies and structure in relation to remuneration for our Directors and senior management.

The Remuneration Committee is currently chaired by Mr. Au Yeung Wai Key and the other members of the Remuneration Committee are Mr. Tse Ka Ching, Justin and Hon Cheung Kwok Kwan, *JP*. All members of the Remuneration Committee are independent non-executive Directors.

The work performed by the Remuneration Committee during the year ended 31 March 2020 comprises the followings:

— reviewed the remuneration of Directors and senior management; and

— assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration paid to the senior management by band for the year ended 31 March 2020 is set out below:

Remuneration bands	**Number of individual(s)**
HK$1,000,001 to HK$2,000,000	1
Below HK$1,000,000	5

Details of remuneration of the Directors and the five highest paid individuals are set out in notes 7(a) and 7(b)) to the consolidated financial statements in this annual report, respectively.

Nomination Committee

The Company established the Nomination Committee on 19 September 2018 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board on the appointment of Directors, to review the composition of the Board, and to assess the independence of independent non-executive Directors.

The Nomination Committee is currently chaired by Hon Cheung Kwok Kwan, JP and the other members of the Nomination Committee are Mr. Au Yeung Wai Key and Mr. Tse Ka Ching, Justin. All members of the Nomination Committee are independent non-executive Directors.

The work performed by the Nomination Committee during the year ended 31 March 2020 comprises the following:

— reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— made recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate;

— assessed the independence of independent non-executive Directors in accordance with the provisions of the Listing Rules and other relevant laws, rules and regulations; and

— reviewed the board diversity policy, developed and reviewed measurable objectives for implementing the board diversity policy and monitoring the progress on achieving these objectives.

Board Diversity Policy

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

The Nomination Committee has considered and reviewed the composition and diversity of the Board. All the executive Directors and non-executive Director possess extensive and diversified experience in management and industrial experience. The three independent non-executive Directors possess professional knowledge in management, finance, accounting and legal aspects. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness.

Board and Board committee meetings

Code provision A.1.1 of the Corporate Governance Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

The attendance of each Director for the Board meetings and Board committee meetings held during the year ended 31 March 2020 is set out in the following table:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration committee**	**General meeting**
Executive Directors(Note)					
Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*	9/9	N/A	N/A	N/A	1/1
Ms. Lau Lai Ching	9/9	N/A	N/A	N/A	1/1
Mr. Lee Ka Ho	7/7	N/A	N/A	N/A	1/1
Mr. Pang Ming	7/7	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Lee Ka Chun Benny	9/9	N/A	N/A	N/A	1/1
Mr. Zhang Chen	2/2	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Au Yeung Wai Key	9/9	2/2	2/2	2/2	1/1
Hon Cheung Kwok Kwan	9/9	2/2	2/2	2/2	1/1
Mr. Tse Ka Ching Justin	9/9	2/2	2/2	2/2	1/1

Note: Mr. Lee Ka Ho and Mr. Pang Ming were appointed on 28 June 2019 and Mr. Zhang Chen was appointed on 1 January 2020.

Apart from the above Board meetings, the Chairman also held a meeting with the independent non-executive Directors only without the presence of other Directors during the year ended 31 March 2020.

AUDITOR'S REMUNERATION

For the year ended 31 March 2020, the remuneration paid or payable to Messrs. Deloitte Touche Tohmatsu and its affiliate companies in respect of audit and non-audit services provided is set out below:

Services rendered	**Remuneration paid/payable (HK$'000)**
Audit services	1,800
Non-audit services	70
	1,870

The fees attributable to the non-audit services above mainly include the tax compliance service.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the year ended 31 March 2020 that give a true and fair view of the state of affairs of the Group in accordance with HKFRSs. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of the Company's auditor with regards to the consolidated financial statements of the Group are set out in the independent auditor's report as contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group 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. The Board and the Audit Committee will review the need for an internal audit function from time to time. During the year ended 31 March 2020, the Board confirms that it has conducted a review of the risk management and internal control systems of the Group by the external internal control consultant. The Board concludes, based on the result of the review, that the risk management and internal control systems currently in place are adequate and effective for the year ended 31 March 2020.

COMPANY SECRETARY

Mr. Leung Wing Lun is the company secretary of the Company. The biographical details of Mr. Leung are set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report.

During the year ended 31 March 2020, the company secretary of the Company had confirmed that he had taken no less than 15 hours of relevant professional training in compliance with the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to send enquiries

Shareholders may at any time raise enquiries to the Board. The enquiries must be in writing with contact information of the Shareholder(s) and deposited at the principal place of the business of the Company in Hong Kong at Unit B, Upper G/F, Stage 4, Yau Tong Industrial Building, 18–20 Sze Shan Street, Yau Tong, Kowloon, Hong Kong for the attention of the company secretary of the Company.

Procedure for convene an extraordinary general meeting

Any one or more duly registered holder of the Shares 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 shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Dividend policy

The Company may declare and distribute dividends to allow Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for further growth. In deciding whether to recommend the payment of dividend to Shareholders, the Board shall take into account, among others, the general financial condition of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, retained earnings and distributable reserves, the general market conditions and any other factors that the Board deems appropriate. The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion and the Board will review the dividend policy of the Company on a regular basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual report and interim report, notices, announcements and circulars that are available on Company's website at www.hy-engineering.com.

CONSTITUTIONAL DOCUMENTS

There is no significant changes in the constitutional documents of the Company during the year ended 31 March 2020.

Environmental, Social and Governance Report

INTRODUCTION

The Group values integrity and transparency in our business operations so as to achieve sustainable development in the long run. Throughout the year ended 31 March 2020, the Group implemented measures in relation to environment, social and governance into our daily operation and management. For the second year listed on Hong Kong Stock Exchange, the Group is pleased to present this Environmental, Social and Governance Report (the "ESG Report") to provide an overview of the Group's measures and policies in relation to environment, social and governance, as well as the results achieved. This ESG Report mainly covers the environmental, social and governance aspects of the Group's principal business, i.e. steel and metal engineering services and the sales of steel and metal products.

The information disclosed in this ESG Report is derived from the Group's public information, official documents, and internal statistics, with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules as well.

The ESG Report comprises and explains the relevant information for the year ended 31 March 2020 quantitatively, in a consistent and material manner. The ESG Report, as well as the information contained in the ESG Report, have been approved by the Board of Directors and management of the Group.

OUR ENVIRONMENTAL POLICY

We are aware of destructive impacts brought to the environment in the course of our business operations, the Group is committed to improving our environmental performance with a systematic approach that comprises of the management of emissions and wastes and the adaptation of resources. During the year ended 31 March 2020, the Group strictly complied with all the relevant rules and regulations on national and regional levels, in accordance to the Environmental Protection Law of the PRC, the Environmental Impact Assessment Law of the PRC, the Guangdong Province Environmental Protection Regulation, as well as the laws and regulations in Hong Kong in relation to environmental protection.

Beyond compliance, the Group strives to control environmental pollution by adopting an Environmental Management System (EMS), and to monitor, manage and evaluate its performance towards pollution control and waste reduction at the same time. The EMS implemented in our main manufacturing facilities in Huizhou, Guangdong Province, has been certified to the ISO 14001:2015 international standard.

For the year ended 31 March 2020, the Group recorded four areas of environmental impact involved in its production: the management of gas emission, noise levels, sewage discharge and solid waste. Due to limitations in recording all items of consumptions and emissions, the following figures demonstrate the consumption data recorded from our offices, production facility and vehicles.

Emissions and Wastes

Greenhouse Gas and Emissions

	The year ended 31 March 2020
Total greenhouse gas emissions (kg CO_2 equivalent)	**784,688**
SO_x (g)	**1,845**
NO_x (g)	**1,617,643**
PM (g)	**114,945**

Apart from vehicle usage of the Group, gas emissions data were recorded from our production process that involved welding fumes, electricity consumption and transportation of material. Ventilation and filtering systems were adopted to reduce the concentration of pollutants in our production facility.

The Group's emissions of greenhouse gas in carbon dioxide (CO_2) equivalent mainly attribute to its electricity and fuel consumption, while emission of sulphur oxides (SO_x), nitrogen oxides (NO_x) and particulate matter (PM) primarily come from the use of vehicles. For the year ended 31 March 2020, we expanded our business footprints to Shenzhen and Fujian; as a result, we employed more staff and allocated resources to execute our business plans; thus, certain energy consumption, electricity, for instance, had increased. During the course of our business development, we always bear in mind the balance between business achievements and energy efficiency. Since our energy efficiency monitoring team was set up after we were listed on HKEX in October 2018, we did not have a complete record on car mileage for the year ended 31 March 2019; thus, we are unable to make a fair comparison between the current reporting year and last year. The Group will continue to monitor and revise our logistic plans so as to minimise the emissions in the future.

Water Sourcing

There have been no issues for the Group to source water for its production for the year ended 31 March 2020.

Hazardous Sewage Discharge and Treatment

Sewage discharged from our production process contains hazardous waste; hence, we control our usage strictly in each production stage. Following the regulatory guidelines issued by the local department of environmental protection in the PRC, our amount and source of discharge from our production facility attained its required standard.

Source of sewage	The Year ended 31 March 2020	
	Sewage discharged (tonnes)	Discharge destination
Huizhou Hengyi	**4**	Dong River

Contaminants are then removed from the hazardous discharges in the course of sewage treatment. Meanwhile, general sewage is gathered for safe disposal into the city's water treatment system.

Non-hazardous Waste

Our non-hazardous solid wastes consist of papers and other general wastes. During the year ended 31 March 2020, our total non-hazardous waste amounted to 7 tonnes. We encourage our production staff to minimise and recycle all solid wastes.

Noise Levels

Due to the use of heavy machinery in our operation, our production process creates noise. To minimise the level of noise generated, production machines are inspected regularly to ensure they remain in optimal conditions. Meanwhile, we also have adopted sound-proofing designs and structures in the construction of production facilities.

Use of Resources

Fuel Consumption

Fuel	The year ended 31 March 2020
LPG (L)	**45,622**
Diesel (L)	**114,584**
Unleaded petrol (L)	**11,204**
Total (L)	**171,410**

Consumption of Resources

Resources	The year ended 31 March 2020
Electricity (kWh)	697,986.000
Water (m^3)	6,746.000
Paper (kg)	3,402.000
Paper packaging (tonnes)	0.562
Plastic packaging (tonnes)	0.135
Wooden packaging (tonnes)	8.679

Consumption Intensity per million Hong Kong dollars in revenue

	The year ended 31 March 2020
Electricity (kWh)	3,481.227
Water (m^3)	33.663
Paper (kg)	16.976
Paper packaging (tonnes)	0.003
Plastic packaging (tonnes)	0.001
Wooden packaging (tonnes)	0.043

The Group's consumption of resources was attributable to electricity, water, paper, as well as packaging with paper, plastic, and wooden materials. During the year ended 31 March 2020, the Group's total fuel consumption increased by approximately 17,707 litres as compared to that for the year ended 31 March 2019, and the consumption of electricity, paper and wooden packaging also increased. Such increases in fuel and resources consumptions are expected in the course of business expansion, but we will be working on our energy efficiency in the future, so as to sustain our business development, while controlling our energy consumption as much as possible. We paid effort in minimising the use of paper packaging and plastic packaging during the year ended 31 March 2020, where 12.618 tonnes and 8.675 tonnes of paper packaging and plastic packaging were reduced, respectively. The implementation of Energy Management System has helped the Group in achieving energy efficiency by minimising wastage, and our water consumption was reduced by 2.312 m^3 as compared to that for the year ended 31 March 2019. Our production staff follows water-saving instructions for everyday usage and production.

EMPLOYMENT AND LABOUR PRACTICE

To safeguard our employees' lawful rights and well-being, we ensure strict compliance with the applicable laws and regulations, including but not limited to Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), the Labour Law of the PRC, the Labour Contracts Law of the PRC and the Social Insurance Law of the PRC. Hence, a range of internal policies has been executed by the department of human resources under the supervision of the corporate governance team; while we include the updated policies in our internal publications to keep our employees well-informed.

For the year ended 31 March 2020, employee statistics of the Group, categorised by job function, gender, age group, and employment location, are shown below:

	For the year ended 31 March 2020
By Job Function	
Executive Directors and Senior Management	12
Project Management and Supervision	53
Finance and Accounting	7
Administrative and Human Resources	21
Production Workers	112
Site Workers	159
Warehouse and Logistics	19
By Gender	
Male	336
Female	47
By Age Group	
≤30	53
30–40	82
40–50	131
50–60	84
≥60	33
By Employment Location	
Mainland China	179
Hong Kong	204
Total	383

Employment Standards

All of our employees should have the opportunity to explore their full potential. The Group committed to the principle of equal employment to protect job applicants from discrimination of gender, age, family status, ethnicity or religion. For the year ended 31 March 2020, the Group has not received any complaints regarding unequal employment. We highly respect human rights and prohibits any form of child labour or forced labour. The human resources department of the Group checked the identification documents of the job applicants to ensure that they meet the minimum working age requirements of local laws and regulations, and they hold legally authorised working permit.

In regard to insurance and benefits provision, the Group provides all mandatory insurances and retirement contributions for our employees, which include employees' compensation insurance and Mandatory Provident Fund that are implemented in Hong Kong, whilst social insurance is implemented in the PRC. Eligible employees are entitled to take maternity leaves as well as paternity leaves.

The Group provides a fair competing environment for career development and progression, in which employees' performances are highly considered regardless of their gender and age. Internal training opportunities are also open to employees of different ranks.

Environmental, Social and Governance Report

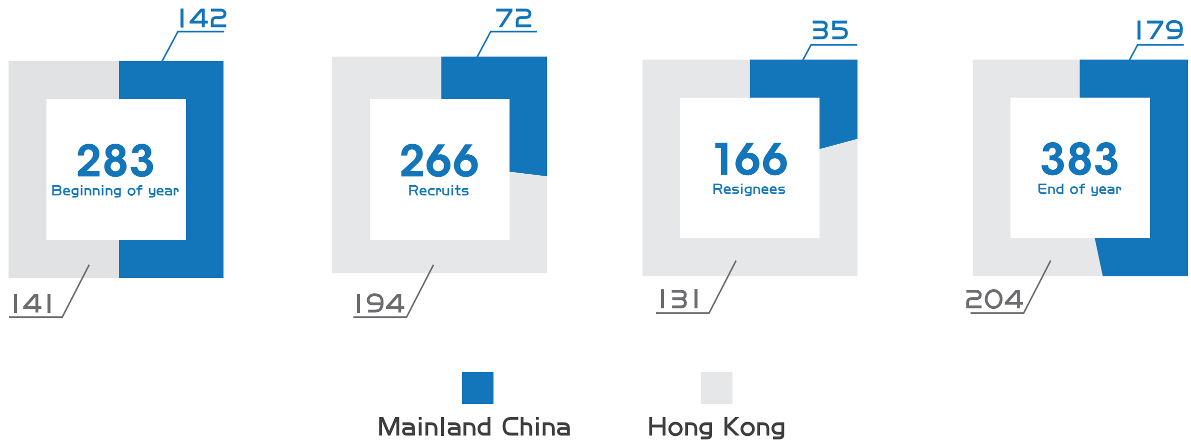
To reward and retain our employees, we implemented salary adjustment and merit point system to our production staff in the PRC during the year ended 31 March 2020. They are also eligible for birthday gifts, bonuses, and certificates of commendations. We strive to ensure our staff achieves a healthy work-life balance by aiming to reduce working hours and to organise a variety of extra-circular activities. Such extra-circular activities include morning and evening exercises, quarterly galas, sports days, and reward trips for management staff.

During the year ended 31 March 2020, Happiness at Work Promotional Scheme was implemented at our Hong Kong office to boost employees' satisfaction and happiness at the workplace. The Group received the Happy Company Award from the Hong Kong Productivity Council and Promoting Happiness Index Foundation. We organised annual dinner, attended charitable events with staff, and implemented flexible work arrangements to show our care to employees.

The table below sets out the total number of employees of the Group for the year ended 31 March 2020:

	Mainland China	**Hong Kong**	**Total**
Beginning of year	142	141	283
Recruits	72	194	266
Resignees	35	131	166
End of year	179	204	383

Total number of employees of the Group for the Year Ended 31 March 2020



Health and Safety

The Group recognises that employees are the greatest assets in supporting our business growth, and understands the relatively high risk this industry poses on its frontline workers' safety and health. We, therefore, place great importance on improving the safety standards of our workplace. During the year ended 31 March 2020, we complied in material respects with all applicable laws and regulations in relation to health and safety, which include but not limited to the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Production Safety Law of the PRC and the Fire Control Law of the PRC.

Aside from medical insurance, annual health check-ups were provided to encourage our production staff to monitor their health conditions. The Group is concerned with the physical and mental health of our staff; as such, we promote a healthy lifestyle at work by initiating daily morning exercise routine. We worked closely with local authorities and organised a health seminar in our Huizhou factory to refresh our workers on the importance of a healthy lifestyle as well as relevant laws and regulations. We also organised a friendly basketball match for our employees in Hong Kong and the Mainland China. As employer, we are responsible for health and safety management to provide adequate information to our employees on workplace safety hazards. To ensure our staff's consciousness, we encourage them to attend occupational safety and health seminars held by the Labour Department, and we also share relevant information such as Site Safety Handbook, Occupational Health Handbook for Office Workers released by the Labour Department and guidelines on prevention of COVID-19.

In our human resources policies, detailed safety guidelines and accident reporting procedures are stated clearly. We developed occupational safety measures such as protective clothing, working instructions, and in-house safety rules to prevent harm and injury as well as to minimise their safety risks at the workplace.

For the year ended 31 March 2020					
Number of injured employees involved in occupational accidents	4	Number of deaths due to occupational accidents or occupational diseases	0	Number of lost workdays lost due to occupational injury	302.5

Environmental, Social and Governance Report

During the year ended 31 March 2020, no serious or fatal incidents occurred in the Group's operations. There were 4 work-related injury cases and a total of 302.5 lost workdays. The injured workers are covered with medical insurance provided by the Group.

	For the year ended 31 March 2020
Number of injured employees involved in occupational accidents	**4**
Number of deaths due to occupational accidents or occupational diseases	**0**
Number of lost workdays lost due to occupational injury	**302.5**

During the year ended 31 March 2020, in acknowledgment of our efforts and results in promoting workplace safety, the Group was awarded with the Certificate of Zero Accident from a customer of the Group, Sun Fook Kong Construction Group.

Development and Training

In consonance with our professionalism and strict compliance as a public company, our employees from frontline workers, management, to our Directors receive relevant training regularly. For example, we provided our front-line workers with trainings on occupational safety and technical skills, while management and Directors attended courses on corporate governance, financial reporting, investor relations and public relations.

The table below summarises training statistics for the year ended 31 March 2020:

	For the year ended 31 March 2020
Number of employees trained	163
Total training hours	1490.5
Employees trained, by gender	
Male	136
Female	27
Employees trained, by job categories	
Executive Directors and senior management	9
Project management and supervision	32
Finance and accounting	5
Administrative and human resources	6
Research and development	12
Manufacturing	72
Security	5
Janitorial	4
Maintenance	4
Warehousing	5
Loading and unloading	5
Procurement	1
Transportation	3

OPERATING PRACTICES

We adhere to fair and transparent operating practices through the adoption of internal policies which set out the selection and assessment procedure for suppliers and subcontractors according to the criteria that should be taken into account. Furthermore, we try to avoid engaging in suppliers or subcontractors with questionable environmental practices.

Supply Chain Management

The long-term relationship established with our suppliers is one of our greatest strengths throughout the years. The table below summarises the number of suppliers for the year ended:

	For the year ended 31 March 2020
Number of Mainland China suppliers	**157**
Number of Hong Kong suppliers	**7**

We maintain an approved list of suppliers and service providers. The potential suppliers and service providers must fulfill our assessment criteria before they are put into our approved list, and the criteria include, among others, price, quality, reputation in the industry, financial performance, delivery time, services as well as commitment to environmental and social responsibilities. With a growing database of suppliers, the Group demands strict regulations on procurement process. From time to time, our responsible staff will assess the performance of the suppliers and services providers, including, among others, cost competitiveness, ability to meet the delivery schedules, response to the instructions, quality of goods or services received. If the suppliers or service providers do not meet our assessment, they will be removed from our approved list.

Product Responsibility

Most of our products are tailor-made for clients, and we emphasise the importance of excellent quality control, such as the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). We obtained ISO9001:2015 Quality Management System Certificate in recognition of our endeavour in producing the best possible products in strict standards. Our production line covers a wide range of procedures, from choosing the right material, metal-cutting, to meticulous final polishing, to safeguard the highest quality and standard of our products.

During the year ended 31 March 2020, we did not have any product recalls due to safety and health reasons, nor have we received any product and service-related complaints. To the best of the Group's knowledge, the Group did not commit any breach of intellectual property rights or consumer data protection and privacy policies.

Anti-corruption

Along with the Group's advocacy of professional ethics, we discourage our staff from accepting gifts from business partners and strictly prohibits any form of corruption such as bribery, extortion, fraud, money laundering or misappropriation of public funds. Employees must report to their department heads if they receive gifts valued above HK$300; for gifts valued above HK$5,000, they shall report to the Directors to avoid possible conflicts of interest. We keep all channels open for anonymous reporting and encourage all employees to report any cases of incompliance.

During the last two years, various training and lectures are held to ensure that different groups of staff could acquire updated information regarding anti-corruption policies. No corruption cases were reported during the last two years. The table below indicates the number of training and result of our anti-corruption effort:

	For the year ended 31 March 2020
Number of anti-corruption trainings	**1**
Number of employees trained	**9**
Number of corrupted cases	**0**
Number of personnel punished	**0**





COMMUNITY INVESTMENT

The Group is committed to its social responsibility and places paramount importance in serving and contributing beneficial values to the community. Our community investment programme throughout the year ended 31 March 2020 was developed on the facet of social welfare.

For the year ended 31 March 2020, the Group participated in more social and charitable events as compared to last year. As a corporate citizen, we encourage our staff to participate in social and charitable events in serving different groups, especially with various social backgrounds. During the year, our staff visited four charitable beneficiaries under The Community Chest of Hong Kong, including The Hong Kong Society for Rehabilitation, Hong Kong Workers' Health Centre, Methodist Yang Zhen Social Service Office and KELY Support Group.

During the year ended 31 March 2020, the Group donated mooncake vouchers via Feeding Hong Kong, and sponsored a few social and charitable events. For instance, the day camp held by Hanison Construction Company Limited, Cantonese Opera Performance (慈善弦歌會知音) organised by a renowned Cantonese Opera school (鄧德光粵劇學苑), the annual charity walk organised by Shui On Seagull Club, as well as the recent surgical masks donation to Christian Family Service Centre which was organised in collaboration with Financial Asia Group (HK) Limited to help the elderly during a hard time in Hong Kong. With the surgical masks donation, we wish to help raise the awareness of hygiene and the importance of preventive measures amid the coronavirus pandemic.

With respect to the PRC, our staff in the PRC participated in a few charitable events such as mountain clean up day and activities in promoting anti-drug education and food safety through Lilinzhen governmental organisations.

AWARDS AND CERTIFICATIONS

During the year ended 31 March 2020, the Group received several awards and certifications from various organisations for our charitable efforts and professional performances:

- *Award for B Grade Credit (「人才/獎勵」)* in Sub-contractor performance evaluation issued by Chun Wo Construction & Engineering Co., Ltd.
- *Certificate of Zero Accident* from Sun Fook Kong Construction Group
- *Happy Company Award* from the Hong Kong Productivity Council and Promoting Happiness Index Foundation
- *Award of Excellence* issued by The Community Chest of Hong Kong
- *The Second-runner Up for Lilinzhen Laws and Regulations Knowledge Competition (瀝林鎮學習法律法規知識競賽三等獎)*
- *Environmental Management System — Certificate of Approval* for meeting the requirements of GB/T 24001-2016/ISO 14001:2015 by DAS Certification
- *Quality Management System — Certificate of Approval* for meeting the requirements of GB/T 19001-2016/ISO 9001:2015 by DAS Certification

Independent Auditor's Report

Deloitte.

德勤

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

OPINION

We have audited the consolidated financial statements of Hang Yick Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 135, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for provision of steel and metal engineering services	
We identified the revenue recognition for provision of steel and metal engineering 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 approximately HK$174,773,000 from provision of steel and metal engineering services as disclosed in note 5 to the consolidated financial statements. As disclosed in note 3 to the consolidated financial statements, the Group recognised revenue from provision of steel and metal engineering services over time using output method, i.e. based on surveys of steel and metal 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 steel and metal engineering services included: • obtaining an understanding on the management's key process in recognition of the contract revenue for provision of steel and metal engineering 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 steel and metal engineering services recognised to date by: — Checking to the certificates on progress payments of contract works 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 service contracts, on a sample basis.

KEY AUDIT MATTERS — continued

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of trade receivables and contract assets

We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.

As at 31 March 2020, the Group's net trade receivables and contract assets amounting to approximately HK$24,248,000 and HK$57,840,000 respectively, which represented approximately 7.3% and 17.4% of total assets of the Group respectively, and approximately HK$13,848,000 out of these trade receivables were past due.

As disclosed in note 4 to the consolidated financial statements, the management of the Group assesses ECL of trade receivables and contract assets that are arising from the provision of steel and metal engineering services or credit-impaired individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables based on provision matrix through grouping of various debtors that have similar loss pattern, after considering internal credit ratings of trade debtors and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

As disclosed in note 35 to the consolidated financial statements, the Group's lifetime ECL on trade receivables and contract assets as at 31 March 2020 amounting to approximately HK$2,474,000 in aggregate.

Our procedures in relation to impairment assessment of trade receivables and contract assets included:

- obtaining an understanding of how the management estimates the credit loss allowance for trade receivables and contract assets;

- testing the accuracy of information used by the management to assess ECL, including trade receivables ageing analysis as at 31 March 2020, on a sample basis, by comparing individual items in the analysis with the relevant certificates on progress payments of contract works; and

- challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 March 2020, including their identification of credit-impaired trade receivables and contract assets which are assessed for ECL individually, the estimation of loss rate for debtors arising from the provision of steel and metal engineering services and are assessed individually, the reasonableness of management's grouping of the remaining trade receivables into different categories in the provision matrix by internal credit ratings of trade debtors and/or past due status of respective trade receivables, and the basis of estimated loss rates applied in each category in the provision matrix.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Wing Cheong, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	NOTES	Year ended 31 March 2020 HK$'000	2019 HK$'000
Revenue	5	**200,380**	181,926
Direct costs		**(150,595)**	(121,447)
Gross profit		**49,785**	60,479
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal		**(1,701)**	(3,594)
Other income and other gains and losses	8	**(217)**	2,244
Administrative expenses		**(29,889)**	(23,190)
Finance costs	9	**(2,098)**	(72)
Listing expenses		**—**	(12,768)
Share of loss of an associate		**(281)**	—
Profit before taxation	10	**15,599**	23,099
Income tax expense	11	**(5,361)**	(7,038)
Profit for the year		**10,238**	16,061
Other comprehensive expense for the year			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(3,206)**	(2,169)
Total comprehensive income for the year		**7,032**	13,892
Profit (loss) for the year attributable to:			
owners of the Company		**12,245**	16,061
non-controlling interests		**(2,007)**	—
		10,238	16,061
Total comprehensive income (expense) attributable to:			
owners of the Company		**9,059**	13,892
non-controlling interests		**(2,027)**	—
		7,032	13,892
Earnings per share	13		
Basic (HK cents)		**1.6**	2.4
Diluted (HK cents)		**1.6**	2.4

Consolidated Statement of Financial Position

As at 31 March 2020

		As at 31 March	
	NOTES	**2020** **HK$'000**	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	**10,934**	13,138
Right-of-use assets	15	**5,337**	—
Intangible assets	18	**2,226**	—
Prepaid lease payments	17	**—**	3,901
Interest in an associate	16	**—**	—
Loan to an associate	16	**24,501**	—
Deferred tax assets	29	**178**	—
Deposits	21	**43,079**	179
Amount due from a related company	22	**16,334**	—
		102,589	17,218
Current assets			
Inventories	19	**18,999**	23,640
Prepaid lease payments	17	**—**	188
Trade receivables	20	**24,248**	11,241
Other receivables, deposits and prepayments	21	**4,220**	27,610
Amount due from a related company	22	**22,684**	—
Contract assets	23	**57,840**	47,492
Tax recoverable		**1,983**	3,977
Pledged bank deposits	24	**40,157**	40,000
Short-term bank deposits	24	**—**	60,000
Cash and cash equivalents	24	**60,622**	54,977
		230,753	269,125
Current liabilities			
Trade and other payables and accruals	25	**19,999**	11,401
Contract liabilities	23	**242**	915
Lease liabilities	27	**1,381**	—
Tax payable		**756**	—
Bank borrowings	26	**64,400**	30,000
		86,778	42,316
Net current assets		**143,975**	226,809
Total assets less current liabilities		**246,564**	244,027

Consolidated Statement of Financial Position

As at 31 March 2020

	NOTES	As at 31 March 2020 HK$'000	2019 HK$'000
Non-current liabilities			
Provisions	28	47	197
Deferred tax liabilities	29	—	65
Lease liabilities	27	323	—
		370	262
Net assets		246,194	243,765
Capital and reserves			
Share capital	30	7,676	7,676
Reserves		240,545	236,089
Equity attributable to owners of the Company		248,221	243,765
Non-controlling interests		(2,027)	—
		246,194	243,765

The consolidated financial statements on pages 59 to 135 were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

Lee Pui Sun
DIRECTOR

Lau Lai Ching
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Statutory surplus reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2018	—*	—	—	—	10	469	98,078	98,557	—	98,557
Profit for the year	—	—	—	—	—	—	16,061	16,061	—	16,061
Exchange difference arising on translation of foreign operation	—	—	—	—	—	(2,169)	—	(2,169)	—	(2,169)
Total comprehensive (expense) income for the year	—	—	—	—	—	(2,169)	16,061	13,892	—	13,892
Dividends recognised as distribution (note 12)	—	—	—	—	—	—	(33,880)	(33,880)	—	(33,880)
Capitalisation issue (note 30(b))	5,700	(5,700)	—	—	—	—	—	—	—	—
Issue of new shares upon share offer (note 30(c))	1,900	159,600	—	—	—	—	—	161,500	—	161,500
Transaction costs attributable to issue of new shares	—	(12,387)	—	—	—	—	—	(12,387)	—	(12,387)
Recognition of equity-settled share-based payments (note 40)	—	—	—	4,455	—	—	—	4,455	—	4,455
Issue of new shares upon exercise of share options (note 30(d))	76	13,188	—	(1,636)	—	—	—	11,628	—	11,628
At 31 March 2019	7,676	154,701	—	2,819	10	(1,700)	80,259	243,765	—	243,765
Profit (loss) for the year	—	—	—	—	—	—	12,245	12,245	(2,007)	10,238
Exchange difference arising on translation of foreign operation	—	—	—	—	—	(3,186)	—	(3,186)	(20)	(3,206)
Total comprehensive (expense) income for the year	—	—	—	—	—	(3,186)	12,245	9,059	(2,027)	7,032
Transfer to statutory surplus reserve	—	—	663	—	—	—	(663)	—	—	—
Dividends recognised as distribution (note 12)	—	—	—	—	—	—	(6,141)	(6,141)	—	(6,141)
Recognition of equity-settled share-based payments (note 40)	—	—	—	1,538	—	—	—	1,538	—	1,538
At 31 March 2020	7,676	154,701	663	4,357	10	(4,886)	85,700	248,221	(2,027)	246,194

* Amount less than HK$1,000

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	NOTES	Year ended 31 March 2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**15,599**	23,099
Adjustments for:			
Depreciation on property, plant and equipment		**3,008**	2,636
Depreciation on right-of-use assets		**1,611**	—
Amortisation of intangible assets		**951**	—
Equity-settled share option expenses		**1,538**	4,455
Amortisation of prepaid lease payments		**—**	188
Finance costs		**2,098**	72
Interest income		**(1,784)**	(698)
Unrealised net exchange losses		**1,217**	—
Share of loss of an associate		**281**	—
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal		**1,701**	3,594
Gain on disposal of investment property classified as held for sale		**—**	(1,339)
Reversal of provisions		**(150)**	(57)
Operating cash flows before movements in working capital		**26,070**	31,950
(Increase) decrease in trade receivables		**(14,020)**	4,100
Increase in other receivables, deposits and prepayments		**(21,034)**	(221)
Decrease (increase) in inventories		**3,228**	(6,161)
Increase in contract assets		**(10,622)**	(21,497)
Increase in trade and other payables and accruals		**9,005**	576
(Decreased) increase in contract liabilities		**(673)**	239
Cash (used in) generated from operations		**(8,046)**	8,986
Income tax paid		**(2,835)**	(15,789)
NET CASH USED IN OPERATING ACTIVITIES		**(10,881)**	(6,803)
INVESTING ACTIVITIES			
Bank interest received		**791**	180
Placement of pledged bank deposits		**(15,157)**	(40,000)
Withdrawal of pledged bank deposits		**15,000**	—
Placement of short-term bank deposits		**—**	(60,000)
Withdrawal of short-term bank deposits		**60,000**	—
Advance to an associate		**(25,253)**	—
Placement of deposits for securing construction contracts		**(35,100)**	—
Repayment of deposit for securing a construction contract		**17,550**	—
Payment for acquisition of an associate	16	**(277)**	—
Earnest money paid		**—**	(22,800)
Purchases of property, plant and equipment		**(1,460)**	(2,975)
Deposits paid for acquisition of property, plant and equipment		**(20,602)**	—
Acquisition of intangible assets through acquisition of a subsidiary	33	**(3,276)**	—
Proceeds from disposal of investment property classified as held for sale		**—**	4,749
NET CASH USED IN INVESTING ACTIVITIES		**(7,784)**	(120,846)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Interests paid	**(1,996)**	(46)
Dividends paid	**(6,141)**	(33,880)
Proceeds from issue of shares	**—**	161,500
Proceeds from issue of shares upon exercise of share options	**—**	11,628
Transaction costs attributable to issues of shares	**—**	(12,387)
New bank borrowings raised	**84,400**	30,000
Repayments of bank borrowings	**(50,000)**	(1,357)
Repayments of obligations under finance leases	**—**	(1,302)
Repayments of lease liabilities	**(1,414)**	—
NET CASH FROM FINANCING ACTIVITIES	**24,849**	154,156
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,184**	26,507
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**54,977**	28,603
Effect of foreign exchange rate changes	**(539)**	(133)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**60,622**	54,977

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL

Hang Yick Holdings Company Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 March 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is HY Steel Company Limited, a company incorporated in the British Virgin Islands ("BVI") and owned as to 70% equity interest held by Mr. Lee Pui Sun ("Mr. PS Lee"), who is the chairman and executive director of the Company, and 30% equity interest held by Ms. Lau Lai Ching ("Ms. LC Lau"), the spouse of Mr. PS Lee, who is the executive director of the Company (collectively referred to as the "Controlling Shareholders"). The address of the Company's registered office and principal place of business are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 42.

The consolidated financial statements are presented in Hong Kong dollar (HK$), which is also the functional currency of the Company and all values are rounded to the nearest thousands (HK$'000) except when otherwise indicated.

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

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

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

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

Except as described below, the application of the new and amendments to HKFRSs and interpretation 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 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("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.

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

New and amendments to HKFRSs that are mandatorily effective for the current year — 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 by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

- 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.

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 incremental borrowing rate applied by the relevant group entities is 3.6%.

The following table reconciles the operating lease commitments as previously disclosed in notes 31 and 38 to the consolidated financial statements for the year ended 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019 HK$'000
Operating lease commitments disclosed at 31 March 2019	3,322
Lease liabilities discounted at relevant incremental borrowing rate	2,865
Less: Recognition exemption-short term leases	(450)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1 April 2019	2,415
Analysed as:	
Current liabilities	1,255
Non-current liabilities	1,160
	2,415

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

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

HKFRS 16 "Leases" — continued

As a lessee — continued

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

	1 April 2019 HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	2,415
Reclassified from prepaid lease payments (Note)	4,089
	6,504

Note: Upfront payments for leasehold lands in the People's Republic of China (the "PRC") for own used properties were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$188,000 and HK$3,901,000 respectively were reclassified to right-of-use assets.

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.

	Carrying amount previously reported at 31 March 2019 HK$'000	**Adjustments** HK$'000	**Carrying amount under HKFRS 16 at 1 April 2019** HK$'000
Non-current assets			
Right-of-use assets	—	6,504	6,504
Prepaid lease payments	3,901	(3,901)	—
Current asset			
Prepaid lease payments	188	(188)	—
Current liability			
Lease liabilities	—	1,255	1,255
Non-Current liability			
Lease liabilities	—	1,160	1,160

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022
6 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.

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

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

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

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

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

New and amendments to HKFRSs in issue but not yet effective — continued

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

The New Framework:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

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 adopted are set out below.

Basis of consolidation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Acquisition of a subsidiary not constituting a business

When the Group acquires an asset that does not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price to the identifiable asset on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Revenue from contract with customers

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

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

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

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

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

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

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

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

The Group recognises revenue from the following major sources: 1) provision of steel and metal engineering services and 2) sales of steel and metal products.

Provision of steel and metal engineering services

Recognition

The Group provides engineering services on steel and metal works under long-term contracts with customers. Such contracts are entered into before the engineering services begin. Under the terms of the contracts, the Group is contractually restricted from redirecting the steel and metal works to another customer and has an enforceable right to payment for work completed to date. Revenue from provision of steel and metal engineering services is therefore recognised over time using output method, i.e. based on surveys of steel and metal 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. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

In determining the transaction price (i.e. consideration of an engineering service contract), the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Revenue from contract with customers — continued

Sales of steel and metal products

Recognition

The Group sells steel and metal products to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery.

Other income

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

Revenue from the sales of scrap materials is recognised when control of the scrap materials has transferred to the customer, being at the point the scrap materials are delivered to the customer.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Intangible assets

Intangible assets acquired separately

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

Inventories

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

Impairment loss on assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial 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 these assets are estimate 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.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Impairment loss on assets other than financial assets — continued

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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

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

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

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 or 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial assets — continued

Classification and subsequent measurement of financial assets — continued

Amortised cost and interest income

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

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loan to an associate, trade receivables, other receivables and deposits, amount due from a related company, pledged bank deposits, short-term bank deposits and cash and cash equivalents) and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. Trade receivables and contract assets that are arising from the provision of steel and metal engineering services or credit-impaired are assessed for ECL individually. The ECL on the remaining trade receivables are assessed collectively using a provision matrix with appropriate groupings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial assets — continued

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

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial assets — continued

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

(iii) Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have been 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 probably 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.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial assets — continued

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

(v) Measurement and recognition of ECL — continued

Generally, the ECL is the difference between the contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; 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.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

The Group's financial liabilities including trade and other payables and accruals and bank borrowings 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, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Short-term and other long-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.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss.

Leases

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

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

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

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

Short-term leases

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Leases — continued

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payment s 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, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Leases — continued

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

Lease liabilities — continued

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed 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 Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as lessee (prior to 1 April 2019)

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

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Taxation

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

Current tax

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

Deferred tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Taxation — continued

Deferred tax — continued

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

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

Borrowing costs

All borrowing costs other than those directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Provisions

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

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

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

When share options are cancelled, the amount that would otherwise have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment assessment on trade receivables and contract assets

The management of the Group assesses ECL of trade receivables and contract assets that are arising from the provision of steel and metal engineering services or are credit-impaired individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables and contract assets involves high degree of estimation uncertainty.

At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates.

As at 31 March 2020, the net trade receivables amounting to approximately HK$24,248,000 (2019: HK$11,241,000), and net contract assets amounting to approximately HK$57,840,000 (2019: HK$47,492,000).

The information about the Group's assessment of ECL and the Group's trade receivables and contract assets are disclosed in notes 20, 23 and 35.

5. REVENUE

Revenue represents the fair value of amounts received and receivable from the provision of engineering service or sales of goods by the Group to external customers. The Group's revenue is mainly derived from provision of steel and metal engineering services and sales of steel and metal products in Hong Kong during the year.

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
— provision of steel and metal engineering services	**174,773**	147,855
Recognised at a point in time and short-term contracts		
— sales of steel and metal products		
• standardised collapsible gates	**4,180**	14,172
• other steel and metal products	**21,427**	19,899
	25,607	34,071
	200,380	181,926

The customers of the Group are mainly construction companies, contractors and engineering companies in Hong Kong. All of the Group's provision of steel and metal engineering services and sales of steel and metal products are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Provision of steel and metal engineering services	**930,311**	870,233

Based on the information available to the Group at the end of the reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of steel and metal engineering services as of 31 March 2020 will be recognised as revenue during the years ending 31 March 2021 to 2023 (2019: 31 March 2020 to 2022).

6. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision makers ("CODM") (being the executive directors of the Company) review the segment results of the Group. Specifically, the Group's reportable segments are provision of steel and metal engineering services and sales of steel and metal products. However, no analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group on making decision for resources allocation and performance assessment.

Segment revenue and profit

The following is an analysis of the Group's revenue to external customers and results by operating and reportable segment.

Year ended 31 March 2020

	Provision of steel and metal engineering services HK$'000	Sales of steel and metal products HK$'000	Total HK$'000
Segment revenue	174,773	25,607	200,380
Segment results	42,924	5,574	48,498
Impairment loss under expected credit loss model on other financial assets			(414)
Other income and other gains and losses			(217)
Administrative expenses			(29,889)
Finance costs			(2,098)
Share of loss of an associate			(281)
Profit before taxation			15,599

6. SEGMENT INFORMATION — continued

Segment revenue and profit — continued

Year ended 31 March 2019

	Provision of steel and metal engineering services HK$'000	Sales of steel and metal products HK$'000	Total HK$'000
Segment revenue	147,855	34,071	181,926
Segment results	46,529	10,356	56,885
Other income and other gains and losses			2,244
Administrative expenses			(23,190)
Finance costs			(72)
Listing expenses			(12,768)
Profit before taxation			23,099

The accounting policies of the operating segments are the same as the Group's accounting policies set out in note 3. Segment results mainly represented profit earned by each segment, excluding impairment loss under expected credit loss model on other financial assets, other income and other gains and losses, administrative expenses, finance costs, listing expenses, share of loss of an associate and income tax expense.

Other segment information

	Provision of steel and metal engineering services HK$'000	**Sales of steel and metal products HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measures of segment profits:				
For the year ended 31 March 2020				
Depreciation and amortisation	**1,886**	**657**	**3,027**	**5,570**
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal	**397**	**890**	**414**	**1,701**
For the year ended 31 March 2019				
Depreciation and amortisation	1,302	698	824	2,824
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal	3,531	63	—	3,594

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For the year ended 31 March 2020

6. SEGMENT INFORMATION — continued

Entity-wide information

Geographical information

The Group's revenue are derived from Hong Kong and the PRC based on the location of goods delivered and services provided as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**200,364**	181,878
The Mainland China	**16**	48
	200,380	181,926

The Group's non-current assets (other than financial assets and deferred tax assets) are located in Hong Kong and the PRC by physical location of assets as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**29,819**	2,742
The Mainland China	**15,380**	14,297
	45,199	17,039

Information about major customers

Revenues attributed from customers that accounted for 10% or more of the Group's total revenue during the year are as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Revenue from provision of steel and metal engineering services		
Customer A	**31,565**	N/A*
Customer B	**50,590**	29,919
Customer C	**N/A***	42,256
Customer D	**24,241**	N/A*
Customer E	**N/A***	25,156
Revenue from sales of steel and metal products		
Customer B	**7,981**	5,176

* Revenue from the customer is less than 10% of the Group's total revenue in the respective year

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, dividend pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

Director emoluments breakdown	**Fees** **HK$'000**	**Salaries and other benefit** **HK$'000**	**Contributions to retirement benefit schemes** **HK$'000**	**Total** **HK$'000**
2020				
Executive directors				
Lee Pui Sun				
(Chief Executive Officer)	—	930	16	946
Lau Lai Ching	—	930	16	946
Lee Ka Ho				
(Appointed on 28 June 2019)	—	504	11	515
Pang Ming				
(Appointed on 28 June 2019)	—	630	12	642
Non-executive directors				
Lee Ka Chun Benny	—	465	—	465
Zhang Chen				
(Appointed on 1 January 2020)	—	45	—	45
Independent non-executive directors				
Au Yeung Wai Key	180	—	—	180
Cheung Kwok Kwan	180	—	—	180
Tse Ka Ching Justin	180	—	—	180
	540	3,504	55	4,099

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7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS — continued

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

	Fees HK$'000	Salaries and other benefit HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
2019				
Executive directors				
Lee Pui Sun				
(Chief Executive Officer)	—	690	14	704
Lau Lai Ching	—	690	14	704
Non-executive director				
Lee Ka Chun Benny	—	390	5	395
Independent non-executive directors				
Au Yeung Wai Key	90	—	—	90
Cheung Kwok Kwan	90	—	—	90
Tse Ka Ching Justin	90	—	—	90
	270	1,770	33	2,073

Note: Mr. PS Lee also acts as chief executive of the Group.

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

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. For the year ended 31 March 2020, all the executive directors and Mr. Lee Ka Chun Benny waived emoluments with an aggregate amount of HK$1,161,000 (2019: Nil). Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2020 and 2019.

During both years, no directors were granted share options in respect of their services to the Group under the share option scheme of the Company.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS — continued

(b) Employees' emoluments

The five highest paid employees of the Group during the year included two directors (2019: Nil), details of whose remuneration are set out in note 7(a) above. Details of the remuneration for the year of the remaining three (2019: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 March	
	2020 **HK$'000**	2019 HK$'000
Salaries and other benefits	**2,256**	3,650
Discretionary bonus (Note)	**178**	1,442
Equity-settled share option expenses	**126**	1,683
Retirement benefit scheme contributions	**54**	87
	2,614	6,862

Note: The discretionary bonuses are determined with references to the performance of individual employee and of the Group.

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following brands is as follows:

	Year ended 31 March	
	2020 **Number of employees**	2019 Number of employees
Nil to HK$1,000,000	**2**	—
HK$1,000,001 to HK$1,500,000	**1**	4
HK$2,000,001 to HK$2,500,000	**—**	1

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year ended 31 March 2019, certain non-director and non-chief executive highest paid employees were granted share option scheme in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 40.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Other income		
Interest income from bank deposits	**794**	698
Interest income from loan to an associate	**990**	—
Government subsidies	**84**	—
Sales of scrap materials	**173**	356
Others	**155**	40
	2,196	1,094
Other gains and losses		
Net exchange losses	**(2,413)**	(189)
Gain on disposal of investment property classified as held for sale	**—**	1,339
	(2,413)	1,150
	(217)	2,244

9. FINANCE COSTS

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Interests on bank borrowings	**2,019**	36
Interests on finance leases	**—**	36
Interests expense on lease liabilities	**79**	—
	2,098	72

10. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,800**	1,430
Depreciation on property, plant and equipment	**3,008**	2,636
Depreciation of right-of-use assets	**1,611**	—
Cost of inventories recognised as an expense	**16,531**	20,010
Amortisation of prepaid lease payments	**N/A***	188
Amortisation of an intangible asset	**951**	—
Staff costs (including directors' emoluments):		
Directors' emoluments (note 7)	**4,099**	2,073
Other staff costs:		
Salaries and other benefits	**72,047**	62,908
Retirement benefits scheme contributions	**4,171**	3,884
Equity-settled share option expenses	**1,538**	2,081
	77,756	68,873
Equity-settled share option expenses in relation to a consultant	**—**	2,374
Short term lease payments	**707**	—
Minimum lease payments under operating leases in respect of warehouse, offices and showroom premises	**N/A***	1,270

* N/A = Not applicable

11. INCOME TAX EXPENSE

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**2,597**	6,118
The PRC Enterprise Income Tax	**3,038**	957
(Over) underprovision of Hong Kong Profits Tax in prior years	**(31)**	20
	5,604	7,095
Deferred taxation (note 29)	**(243)**	(57)
	5,361	7,038

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For the year ended 31 March 2020

11. INCOME TAX EXPENSE — continued

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 assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable 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 of a subsidiary and at 16.5% on the estimated assessable profits above HK$2 million on that subsidiary.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

	Year ended 31 March	
	2020 **HK$'000**	2019 HK$'000
Profit before taxation	**15,599**	23,099
Tax at the Hong Kong Profits Tax rate of 16.5%	**2,574**	3,811
Tax effect of income not taxable for tax purpose	**(31)**	(221)
Tax effect of expenses not deductible for tax purpose	**2,437**	3,315
(Over) underprovision of Hong Kong Profits Tax in prior years	**(31)**	20
Effect of different tax rate of a subsidiary operating in other jurisdiction	**597**	298
Income tax at concessionary rate	**(165)**	(165)
Others	**(20)**	(20)
Income tax expense for the year	**5,361**	7,038

12. DIVIDENDS

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim — HK0.3 cents (2019: 2019 interim dividend HK1.3 cents) per share	**2,303**	9,880
2019 Final — HK0.5 cents (2019: 2018 Final dividend Nil) per share	**3,838**	—
2019 Special — HK$240,000 per share	**—**	24,000
	6,141	33,880

Subsequent to the end of the reporting period, in line with the prudent financial management of the Group, the Directors decided not to declare a final dividend for the year ended 31 March 2020.

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	For the year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**12,245**	16,061
	Number of shares	Number of shares
Number of shares (Note):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**767,600,000**	659,096,986
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**7,893,306**	3,248,025
Over-allotment option	**—**	170,052
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**775,493,306**	662,515,063

Note: The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation and the capitalisation issue as set out in note 30(b) have been effective on 1 April 2018.

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14. PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Office equipment, furniture and fixtures HK$'000	Total HK$'000
COST						
At 1 April 2018	8,794	—	8,133	8,838	235	26,000
Additions	—	806	415	1,869	174	3,264
Exchange realignment	(563)	—	(19)	(406)	(9)	(997)
At 31 March 2019	8,231	806	8,529	10,301	400	28,267
Additions	**—**	**126**	**411**	**570**	**353**	**1,460**
Exchange realignment	**(531)**	**(4)**	**(26)**	**(518)**	**(26)**	**(1,105)**
At 31 March 2020	**7,700**	**928**	**8,914**	**10,353**	**727**	**28,622**
ACCUMULATED DEPRECIATION						
At 1 April 2018	4,010	—	6,183	2,518	136	12,847
Provided for the year	501	13	994	1,092	36	2,636
Exchange realignment	(257)	—	(6)	(89)	(2)	(354)
At 31 March 2019	4,254	13	7,171	3,521	170	15,129
Provided for the year	**539**	**181**	**862**	**1,328**	**98**	**3,008**
Exchange realignment	**(287)**	**—**	**(9)**	**(145)**	**(8)**	**(449)**
At 31 March 2020	**4,506**	**194**	**8,024**	**4,704**	**260**	**17,688**
CARRYING AMOUNTS						
At 31 March 2020	**3,194**	**734**	**890**	**5,649**	**467**	**10,934**
At 31 March 2019	3,977	793	1,358	6,780	230	13,138

14. PROPERTY, PLANT AND EQUIPMENT — continued

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

Owned properties	Over the shorter of the term of lease or 20 years
Leasehold improvement	Over the shorter of the term of the lease or 5 years
Motor vehicles	20.0% to 30.0%
Plant and machinery	10.0% to 20.0%
Office equipment, furniture and fixtures	20.0% to 33.3%

15. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	**Leased properties** HK$'000	**Total** HK$'000
At 1 April 2019			
Carrying amount	4,089	2,415	6,504
At 31 March 2020			
Carrying amount	**3,649**	**1,688**	**5,337**
For the year ended 31 March 2020			
Depreciation charge	**180**	**1,431**	**1,611**

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	**707**
Total cash outflow for leases	**2,200**
Additions to right-of-use assets	**752**

For both years, the Group leases warehouse, showroom, factory and office premises for its operations. Lease contracts are entered into for fixed term of approximately 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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16. INTEREST IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE

	2020 HK$'000
Cost of investment in an associate	277
Share of post-acquisition losses	(281)
Exchange alignment	4
	—

On 24 October 2019, the Group acquired 25% equity interest in 佛山市臻裕置業投資有限公司, a private limited liability company established in the PRC, from 首建城業 (深圳) 實業有限公司 at a cash consideration of Renminbi ("RMB") 250,000 (equivalent to HK$277,000). 首建城業 (深圳) 實業有限公司 was indirectly wholly owned by Mr. Pang Ming, an executive director of the Company, and thus it is a related party transaction of the Group.

Details of the Group's associate at the end of the reporting period is as follow:

Name of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
			2020	2019	2020	2019	
佛山市臻裕置業投資有限公司 (Note)	The PRC	The PRC	25%	—	25%	—	Property development

Note:

During the year ended 31 March 2020, the Group entered into a loan agreement with the associate. The Group has agreed to provide shareholder's loan facility amounting to RMB30,000,000 to the associate for a term of 24 months from the advance date and maturing on the final maturity date with any outstanding accrued interest. The loan to an associate is unsecured. The interest rate is 12% per annum with interest payable in arrears every three months.

As at 31 March 2020, RMB22,500,000 (equivalent to HK$24,626,000) of the facility was utilised and impairment loss of HK$125,000 under ECL was recognised. Details of impairment assessment are set out in note 35.

16. INTEREST IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE — continued

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial information prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

	As at 31 March 2020 HK$'000
Non-current assets	10,217
Current assets	18,726
Current liabilities	(30,460)

	For the year ended 31 March 2020 HK$'000
Loss and total comprehensive expense for the year	(1,544)

17. PREPAID LEASE PAYMENTS

All the Group's prepaid lease payments comprise leasehold land in the PRC.

	As at 31 March 2019 HK$'000
Analysed for reporting purposes:	
Non-current assets	3,901
Current assets	188
	4,089

18. INTANGIBLE ASSETS

	The PRC construction licenses HK$'000
COST	
As at 1 April 2019	—
Addition through acquisition of a subsidiary (note 33)	**3,371**
Exchange alignment	**(218)**
As at 31 March 2020	**3,153**
ACCUMULATED AMORTISATION	
As at 1 April 2019	**—**
Charge for the year	**951**
Exchange alignment	**(24)**
As at 31 March 2020	**927**
CARRYING VALUE	
As at 31 March 2020	**2,226**

The PRC construction license included the main contractor of construction works (level two) and the main contractor of municipal public construction works (level three). Such intangible assets are amortised on a straight-line basis over the remaining life of the licences, which is 34 months from the completion date of the acquisition.

19. INVENTORIES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Raw materials	**11,364**	15,318
Work-in-progress	**2,604**	5,828
Finished goods	**5,031**	2,494
	18,999	23,640

20. TRADE RECEIVABLES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade receivables	**25,353**	13,740
Less: Allowance for credit losses	**(1,105)**	(2,499)
Total trade receivables	**24,248**	11,241

As at 31 March 2020 and 31 March 2019, trade receivables from contracts with customers are disclosed above. As at 1 April 2018, trade receivable from contracts with customers amounted to HK$17,850,000.

For customers that the Group provides engineering services on steel and metal works, the Group normally grants credit terms of 30 days from the date of certificate on progress payments of contract works. For customers that the Group sells metal and steel products, except for certain major customers of which the Group grants a credit period of up to 60 days from the delivery of goods, the Group grants no credit terms to other customers and they are to settle payment in full upon delivery of goods. The following is an ageing analysis of the trade receivables presented based on the date of certificate on progress payments of contract works at the end of the reporting period:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
0–30 days	**5,754**	7,229
31–60 days	**11,047**	2,000
61–90 days	**3,346**	1,262
Over 90 days	**4,101**	750
	24,248	11,241

20. TRADE RECEIVABLES — continued

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$13,848,000 (2019: HK$3,061,000) which are past due as at the end of the reporting period. Out of the past due balances, HK$3,789,000 (2019: HK$604,000) has been past due 90 days or more and is not considered as in default as these balances are either from debtors with long term business relationship. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables are set out in note 35.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Deposits for acquisition of property, plant and equipment	**20,602**	—
Earnest money (Note i)	**—**	22,800
Deposit for securing a construction contract (Note ii)	**16,333**	—
Deposit and prepayment for a life insurance policy (Note iii)	**6,154**	—
Other receivables	**1,297**	2,311
Interest receivables (Note iv)	**965**	—
Other deposits	**1,782**	1,992
Prepayments	**166**	686
Total	**47,299**	27,789
Presented as non-current assets	**43,079**	179
Presented as current assets	**4,220**	27,610
Total	**47,299**	27,789

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — continued

Notes:

(i) On 28 June 2019, Mr. Pang Ming, who hold 50% equity interest of Capital Development Investment Holdings Limited ("Capital Development"), was appointed an executive director of the Company; since then Capital Development has become a related company of the Group.

As at 31 March 2020, the balance of earnest money amounting to HK$22,800,000 was due from Capital Development previously included in other deposits was reclassified as amount due from a related company and set out in note 22.

(ii) During the year ended 31 March 2020, Fujian Hejin Construction Engineering Limited* (福建禾金建設工程有限公司) ("Fujian Hejin"), a non-wholly owned subsidiary of the Group, has entered into a memorandum with 湖北瑞易泰建築工程有限公司, an independent third party, pursuant to which Fujian Hejin agreed to pay a deposits of RMB15,000,000 (equivalent to HK$16,400,000) to secure a contract of the residential and commercial complex project with car park and is located in the west of Chaoyang Road, Chancheng District, Foshan City in Guangdong Province with a contract sum of not less than RMB150 million. The deposit is interest free and refundable within 3 months upon the completion of construction.

(iii) During the year ended 31 March 2020, the Group entered into a life insurance policy with a bank to insure Mr. Lee Ka Ho, the executive director of the Company, and paid a single premium of approximately US dollars ("USD") 790,000 (equivalent to approximately HK$6,154,000) at inception.

Under the life insurance policy, the Group is the beneficiary and policy holder and the insured sum is USD5,000,000 (equivalent to approximately HK$39,000,000). The Group can, at any time, withdraw cash based on the account value of these policies ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of these policies. If withdrawal is made during the surrender period stated in the policy (i.e. between 1st and 18th policy year), there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest rate of 4.25% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 2% per annum) during the effective period of the policy.

The directors of the Company consider that the Group will not terminate the policies nor withdraw cash prior to the 7th year of the surrender period on the life insurance policy entered during the year ended 31 March 2020, accordingly, the amount is presented as non-current asset in the consolidated statement of financial position.

At the inception date, the gross premium paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policies.

The balance of the payment of life insurance policy is denominated in USD, being a currency other than the functional currency of the relevant group entity.

(iv) As at 31 March 2020, included in the interest receivable is a balance of approximately HK$961,000 being interest receivable on the loan to an associate, of which the directors of the Company expected such amount is recoverable within twelve months from the end of the reporting period.

Details of impairment assessment of other receivables and deposits are set out in note 35.

* English name for identification purpose only

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22. AMOUNT DUE FROM A RELATED COMPANY

	2020 HK$'000
Capital Development	**39,218**
Less: Allowance for credit losses	**(200)**
	39,018
Presented as non-current assets	**16,334**
Presented as current assets	**22,684**
	39,018

On 21 December 2018, the Group entered into a non-legally binding strategic cooperation framework agreement (the "Strategic Cooperation Framework Agreement") with Capital Development, pursuant to which Capital Development shall, among others, make use of its favourable connections and resources, introduce and propose property investment projects and construction projects in the PRC to the Group. Pursuant to the Strategic Cooperation Framework Agreement, the Group shall pay Capital Development a sum of HK$22,800,000 (equivalent to RMB20,000,000) as earnest money (included in other receivables, deposits and prepayments as at 31 March 2019) and reclassified as amount due from a related party since Capital Development become a related party of the Group as mentioned in note 21(i)) and the amounts were fully paid on 24 December 2018. The Strategic Cooperation Framework Agreement shall remain in effect for 12 months from the signing date of the Strategic Cooperation Framework Agreement to 21 December 2019 (the "Term"). Upon the expiry of the Term, the parties may agree to extend the Term in writing for not more than 24 months from the date of the Strategic Cooperation Framework Agreement. On 20 December 2019, the Group and Capital Development entered into a supplemental agreement to extend the Term from 21 December 2019 to 21 December 2020.

During the year ended 31 March 2020, 首建恒益 (深圳) 建築控股有限公司 (CDI Hang Yick Constructions Holding Co. Ltd. SZ), a non-wholly owned subsidiary of the Group, entered into a memorandum with Capital Development, pursuant to which the Group agreed to pay a deposit of HK$16,400,000 (equivalent to RMB15,000,000) to secure a new contract of a sports and tourism complex project in Kaihua, Zhejiang Province with a contract sum of approximately RMB550 million. The deposit is refundable within 3 months upon the completion of construction.

All amounts are unsecured, interest free and repayable on respective terms. Detail of impairment assessment are set out in note 35.

23. CONTRACT ASSETS/CONTRACT LIABILITIES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Contract assets		
— Unbilled revenue from engineering services contracts	**32,966**	30,165
— Retention receivables	**26,243**	18,422
Less: Allowance for credit losses	**(1,369)**	(1,095)
	57,840	47,492
Contract liabilities		
— Provision of steel and metal engineering service	**192**	415
— Sales of steel and metal products	**50**	500
	242	915

As at 1 April 2018, contract assets and contract liabilities amounted to HK$27,090,000 and HK$676,000 respectively.

The Group has rights to considerations from customers for the provision of steel and metal engineering services. Contract assets arise when the Group has right to consideration for completion of engineering services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the output method, the Group recognises a contract liability for the difference.

Contract liabilities arise when the Group has obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount of consideration is due) from the customer.

The Group's engineering service contracts include payment schedules which require stage payments over the contract period once certain specified milestones based on surveyors' assessment are reached.

Retention receivables represents the monies withheld by customers of contract works and are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

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23. CONTRACT ASSETS/CONTRACT LIABILITIES — continued

The retention receivables, net of allowance for credit losses, are to be settled, based on the expiring of the defect liability period, at the end of the reporting period as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
On demand or within one year	**2,121**	6,824
After one year	**23,039**	10,618
	25,160	17,442

Details of impairment assessment of contract assets are set out in note 35.

The following table show how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior years.

	Provision of steel and metal engineering service	**Sales of steel and metal products**
	HK$'000	HK$'000
For the year ended 31 March 2020		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**197**	**476**
For the year ended 31 March 2019		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	374	282

24. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/CASH AND CASH EQUIVALENTS

As at 31 March 2020, pledged bank deposits represent deposits pledged to banks to secure the short-term bank borrowings (as disclosed in note 26), carried at fixed interest rate ranged from 0.1% to 1% (2019: 1.41% to 1.51%) per annum.

As at 31 March 2019, short-term bank deposits comprise bank deposits of fixed interest rates carried at 2.25% per annum with an original maturity over three months.

As at 31 March 2020 and 2019, cash and cash equivalents comprise of cash at banks which carry interest at prevailing market rate of 0.01% per annum and cash on hand.

Details of impairment assessment of pledged bank deposits, short-term bank deposits and bank balances are set out in note 35.

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade payables	**10,878**	4,774
Accrued staff costs	**6,816**	4,943
Accruals and others	**2,305**	1,684
	19,999	11,401

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
0–30 days	**7,578**	4,427
31–60 days	**2,229**	340
61–90 days	**1,065**	7
Over 90 days	**6**	—
	10,878	4,774

26. BANK BORROWINGS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Carrying amounts of bank borrowings (shown under current liabilities) that contain a repayment on demand clause but repayable based on scheduled repayment terms:		
— Within one year	**64,400**	30,000

The bank borrowings were at floating rate which carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.8% to 2% per annum (2019: HIBOR plus 2% per annum). The weighted average effective interest rate on the Group's bank borrowings was 3.56% per annum as at 31 March 2020 (2019: 3.82% per annum). Interest rates of the bank borrowings are normally refixed at every three to six months.

As at 31 March 2020, the bank borrowings are secured by a life insurance policy of a director of the Company, pledged bank deposits with carrying amount of HK$40,157,000 and a corporate guarantee granted by a subsidiary, Hang Yick Gate Engineering Limited ("Hang Yick HK") (2019: secured by the pledged bank deposits with carrying amount of HK$40,000,000 and a corporate guarantee by Hang Yick).

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27. LEASE LIABILITIES

	As at 31 March 2020 HK$'000
Lease liabilities payable:	
Within one year	**1,381**
Within a period of more than one year but not more than two years	**257**
Within a period of more than two years but not more than five years	**66**
	1,704
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,381)**
Amount due for settlement after 12 months shown under non-current liabilities	**323**

28. PROVISIONS

	Long service payments HK$'000
At 1 April 2018	254
Reversal on provision	(57)
At 31 March 2019	197
Reversal on provision	**(150)**
At 31 March 2020	**47**

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. Provisions recognised in respect of long service payments are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to end of each reporting period. Any changes in the provisions' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss.

29. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liability have been offset. The following are the deferred tax liability and assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	**Provision for long service** HK$'000	**ECL provision** HK$'000	**Share-based payments** HK$'000	**Total** HK$'000
At 1 April 2018	(164)	42	—	—	(122)
Credit (charged) to profit or loss (note 11)	23	(10)	44	—	57
At 31 March 2019	(141)	32	44	—	(65)
Credit (charged) to profit or loss (note 11)	**55**	**(25)**	**105**	**108**	**243**
At 31 March 2020	**(86)**	**7**	**149**	**108**	**178**

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately HK$5,964,000 (2019: nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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30. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2018	38,000,000	380
Increase on 19 September 2018 (Note a)	3,762,000,000	37,620
At 31 March 2019 and 2020	**3,800,000,000**	**38,000**
Issued:		
At 1 April 2018	100	—*
Capitalisation issue (Note b)	569,999,900	5,700
Issue of new shares upon share offer (Note c)	190,000,000	1,900
Issue of new shares upon exercise of share options (Note d)	7,600,000	76
At 31 March 2019 and 2020	**767,600,000**	**7,676**

All new ordinary shares issued during the year ended 31 March 2019 rank pari passu with the existing shares in issue in all respects.

There was no movement in the Company's share capital for current year.

Notes:

(a) On 19 September 2018, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$38,000,000 by the creation of 3,762,000,000 additional shares, each ranking pari passu with the shares of the Company then in issue in all respects.

(b) On 12 October 2018, the Company capitalised an amount of HK$5,699,999 by issuing additional 569,999,900 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 19 September 2018 (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).

(c) In connection with the listing of the Company's shares at the Stock Exchange on 12 October 2018, the Company issued and allotted 190,000,000 new ordinary shares in aggregate at HK$0.85 per share for an aggregate consideration of approximately HK$161,500,000.

(d) On 28 March 2019, the Company issued 7,600,000 shares upon the exercise of share options by an employee of the Company.

* Amount less than HK$1,000

31. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 March 2019, the Group has operating lease commitment as lessee for a lease amounting to approximately HK$467,000, such operating lease commitment is within one year from the end of the reporting period.

Details of the Group's operating lease commitment as lessee for leases entered into with related parties are disclosed in note 38.

32. RETIREMENT BENEFIT SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK$1,500 per employee per month.

The retirement benefit schemes contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The PRC subsidiary is required to make contributions to the state-managed retirement schemes operated by the local governments based on certain percentage of the monthly salaries of their current employees to fund the benefits.

The only obligation of the Group with respect to the above defined contribution retirement benefit schemes are to make the required contributions under the respective schemes.

The contributions paid and payable to the schemes by the Group during the year to directors and staff employees are disclosed in notes 7 and 10, respectively.

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33. ACQUISITION OF A SUBSIDIARY

For the year ended 31 March 2020

On 29 May 2019, CDI Hang Yick SZ completed the acquisition of the entire equity interests of Fujian Hejin, a private company established in the PRC, at a cash consideration of RMB2,800,000 (equivalent to approximately HK$3,276,000). At the date of completion of such acquisition, Fujian Hejin was inactive and had an insignificant assets and liabilities with insignificant net carrying amount of less than HK$1,000. The reason for the Group for such acquisition was to acquire the relevant licenses held by Fujian Hejin for conducting construction services business in the PRC. As Fujian Hejin has no business operation at the completion of the such acquisition, the directors of the Company are of the opinion that the acquisition of Fujian Hejin do not constitute a business combination as defined in HKFRS 3, therefore, such acquisition have been accounted for as acquisition of assets through acquisition of a subsidiary. Details of this acquisition were disclosed in the Company's announcement dated 31 May 2019.

For the year ended 31 March 2019

In January 2019, the Group acquired 100% equity interest in Sunshine Metal Engineering Limited ("Sunshine"), a private limited liability company incorporated in Hong Kong, from an independent third party (the "Vendor"), at a cash consideration of HK$3,030,000 (the "Acquisition"). At the date of completion of the acquisition, the major asset of Sunshine was an amount due from the Vendor of HK$2,960,000 (the "Loan to Vendor") and certain financial assets with insignificant aggregate carrying amount of HK$40,000 (such as deposits and bank balances). Pursuant to the sales and purchase agreement entered into between the Group with the Vendor in relation to the Acquisition, the Group and the Vendor agreed to net settle the cash consideration of the HK$3,030,000 and the repayment of the Loan to Vendor of HK$2,960,000, accordingly the Group's actual net cash outflow in relation to the Acquisition was HK$34,000.

Sunshine was previous engaged in provision of services in relation to constructions works but has no business operation at the date of completion of the Acquisition. It is an approved contractor under the "Structural Steelwork" category of works on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works published by the Development Bureau of the Government of the Hong Kong Special Administrative Region. As Sunshine has no business operation at the completion of the Acquisition, the directors of the Company are of the opinion that the Acquisition does not constitute a business combination as defined in HKFRS 3 "Business Combinations" issued by HKICPA, therefore, the Acquisition has been accounted for as acquisition of assets through acquisition of a subsidiary. The directors of the Company are of the opinion that the fair value of the license held by Sunshine is immaterial at the date of acquisition. The financial position of Sunshine as at 31 March 2019 and its results for the year ended 31 March 2019 are insignificant to the Group.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which mainly includes bank borrowings, as disclosed in note 26, and equity of the Group, comprising issued share capital and reserves.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Financial assets		
Amortised cost	**206,926**	190,183
Financial liabilities		
Amortised cost	**84,399**	41,401

(b) Financial risk management objectives and policies

The Group's financial instruments include loan to an associate, deposits, trade receivables, other receivables, amount due from a related company, pledged bank deposits, short-term bank deposits, cash and cash equivalents, trade and other payables and accruals and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Market risk*

Currency risk

At the end of the reporting period, the major financial assets of the Group denominated in currencies other than the functional currency of the respective group entities are bank balances. In addition, the Group has certain intra-group balances are denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of reporting period are as follows:

As at 31 March 2020	**HK$ against RMB HK$'000**	**RMB against HK$ HK$'000**
Bank balances	**4,149**	**—**
Intra-group balances	**—**	**49,253**

As at 31 March 2019	HKD HK$'000	RMB HK$'000
Bank balances	925	—

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35. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(i) Market risk — continued

Currency risk — continued

The following table details the Group's sensitivity to a 10% increase and decrease in HK$ against RMB. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase/a decrease in post-tax profit where HK$ strengthen 10% against RMB for the both years. For a 10% weaken of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Increase in post-tax profit for the year		
RMB	**4,113**	—
HK$	**311**	69

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate pledged bank deposits, short-term bank deposits and lease liabilities. Currently, the Group has not used any derivative contracts to hedge these exposure to interest rate risk. However, management monitors interest rate exposure and will consider hedging significant fixed rate borrowings should the need arises.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 24 and 26 for details of the bank balances and bank borrowings respectively). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR (2019: HIBOR) arising from the Group's variable-rate bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole period. No sensitivity analysis is provided on variable-rate bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

35. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(i) Market risk — continued

Interest rate risk — continued

A 50 basis points (2019: 50 basis points) increase or decrease is used for the year, which represents management's assessment of the reasonably possible change in interest rates. If interest rates have been 50 basis points (2019: 50 basis points) higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2020 would decrease/increase by approximately HK$269,000 (2019: HK$125,000).

(ii) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to loan to an associate, deposits, trade receivables, contract assets, other receivables, amount due from a related company, pledged bank deposits, short-term bank deposits and cash and cash equivalents.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Trade receivables and contract assets arising from contracts with customers

Management adopted a policy on providing credit facilities to customers. A credit investigation, including assessment of financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable and contract assets. Under HKAS 39, provisions for impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 April 2018, the Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables and contract assets, other than those balances that are arising from the provision of steel and metal engineering services or are credit-impaired which are assessed individually, the remaining balances have been grouped based on shared credit risk characteristics with details disclosed in this note, respectively. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain customers. For trade receivables, the Group's largest debtor contributed approximately 36.0% (2019: 16.5%) of the Group's trade receivables and the Group's five largest debtors contributed approximately 82.7% (2019: 57.2%) of the Group's trade receivables. For contract assets, the Group's largest customer contributed approximately 22.4% (2019: 40.2%) of the Group's contract assets and the Group's five largest customers contributed approximately 65.4% (2019: 78.8%) of the Group's contract assets as at 31 March 2020. All these top five debtors are customers located in Hong Kong.

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35. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(ii) Credit risk and impairment assessment — continued

Other receivables and deposits

For other receivables and deposits, the management of the Group makes individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. During the year ended 31 March 2020, ECL on other receivables and deposits amounting to approximately HK$89,000 (2019: Nil) was recognised in the profit or loss.

Pledged bank deposits, short-term bank deposits and bank balances

The credit risk on pledged bank deposits, short-term bank deposits and bank balances of the Group is limited because the counterparties are banks with good reputation and no history of default in the past and no loss allowance provision for pledged bank deposits and bank balances was recognised as at 31 March 2019 and 2020. The Group has limited exposure to any single financial institution.

Loan to an associate

The Group regularly monitors the business performance of the associate. The Group's credit risk in the balance is mitigated through the value of the assets held by the entities and the power to participate the relevant activities of the entities. During the year ended 31 March 2020, ECL on loan to an associate amounting to approximately HK$125,000 (2019: Nil) was recognised in the profit or loss.

Amount due from a related company

For the amount due from a related company, the management of the Company make individual assessment on the recoverability of the amount due from a related company based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 March 2020, ECL on the amount due from a related company amounting to approximately HK$200,000 (2019: Nil) was recognised in the profit or loss.

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

Internal credit rating	**Description**	**Trade receivables/ contract assets**	**Other financial assets**
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL — not credit-impaired	12-m ECL — not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(ii) Credit risk and impairment assessment — continued

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised cost						
Trade receivables	20	N/A	Note a	Lifetime ECL (individually assessed)	**22,551**	8,976
	20	N/A	Note a	Lifetime ECL (provisional matrix)	**2,035**	2,357
	20	N/A	Note a	Credit impaired	**767**	2,407
					25,353	13,740
Other receivables and deposits	21	N/A	Note b	12m ECL	**18,522**	23,966
Pledged bank deposits	24	Aa3	N/A	12m ECL	**40,157**	40,000
Short-term bank deposits	24	Aa3	N/A	12m ECL	**—**	60,000
Cash and cash equivalents	24	Baa1-Aa3	N/A	12m ECL	**60,569**	54,924
Loan to an associate	16	N/A	Note b	12m ECL	**24,626**	—
Amount due from a related company	22	N/A	Note b	12m ECL	**39,218**	—
Other item						
Contract assets	23	N/A	Note a	Lifetime ECL (individually assessed)	**58,289**	47,667
	23	N/A	Note a	Credit impaired	**920**	920
					59,209	48,587

Notes:

a. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime ECL. Except for debtors arising from provision of steel and metal engineering services or balances that are credit-impaired which are assessed individually, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

b. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. All of these balances are not past due at 31 March 2019 and 2020.

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35. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(ii) Credit risk and impairment assessment — continued

Provision matrix — internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to provision of steel and metal engineering services and sales of steel and metal products. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2019 and 2020 within lifetime ECL.

Internal credit rating	2020 Average loss rate	2020 Trade receivables HK$'000	2019 Average loss rate	2019 Trade receivables HK$'000
Low risk	**1.36%**	**—**	1.33%	1,182
Doubtful	**3.07%**	**2,036**	2.98%	1,175
		2,036		2,357

35. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(ii) Credit risk and impairment assessment — continued

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired) (Note a)		
	Trade receivables	**Contract assets**	**Trade receivables**	**Contract assets**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2018 (Note b)	—	—	—	—	—
Impairment losses recognised	92	175	2,407	920	3,594
At 31 March 2019	92	175	2,407	920	3,594
Transferred to credit impaired	**(29)**	—	**29**	—	—
Impairment loss recognised	**310**	**312**	**738**	—	**1,360**
Impairment loss reversed	**(35)**	**(38)**	—	—	**(73)**
Write-off	—	—	**(2,407)**	—	**(2,407)**
At 31 March 2020	**338**	**449**	**767**	**920**	**2,474**

Notes:

a The lifetime ECL recognised for credit-impaired trade receivables and contract assets are resulting from a debtor went into liquidation process during the year. The gross amounts of credit-impaired trade receivables and contract assets are approximately HK$767,000 and HK$920,000, respectively (2019: HK$2,407,000 and HK$920,000 respectively).

b As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing trade receivables and contract assets for impairment in accordance with the requirements of HKFRS 9 and considered the application of ECL model has no material impact to the financial position and retained profits of the Group as at 1 April 2018.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The following tables show reconciliation of loss allowances that has been recognised for loan to an associate, amount due from a related company, other receivables and deposits.

	Loss allowance for		
	Loan to an associate	**Amount due from a related company**	**Other receivables and deposits**
	HK$'000	HK$'000	HK$'000
At 1 April 2018 and 31 March 2019	—	—	—
Impairment losses recognised	**125**	**200**	**89**
At 31 March 2020	**125**	**200**	**89**

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35. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time bend regardless of the probability of the banks choosing to exercise their rights.

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

	Weighted average effective interest rate	Repayable on demand	Within 3 months	4–12 months	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2020							
Non-derivative financial liabilities							
Trade and other payables and accruals	**N/A**	**—**	**19,999**	**—**	**—**	**19,999**	**19,999**
Bank borrowings	**3.56**	**64,400**	**—**	**—**	**—**	**64,400**	**64,400**
		64,400	**19,999**	**—**	**—**	**84,399**	**84,399**
Lease liabilities	**3.60**	**—**	**386**	**1,028**	**330**	**1,744**	**1,704**
As at 31 March 2019							
Non-derivative financial liabilities							
Trade and other payables and accruals	N/A	55	11,346	—	—	11,401	11,401
Bank borrowings	3.82	30,000	—	—	—	30,000	30,000
		30,055	11,346	—	—	41,401	41,401

35. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(iii) Liquidity risk — continued

Bank borrowings with a repayment on demand clause are included in the "Repayment on demand" time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amount of these bank borrowings of approximately HK$64,400,000 (2019: HK$30,000,000). Taking into account the Group's financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted Average effective interest rate	**Within 3 months**	**Total undiscounted cash flows**	**Total carrying amount**
	%	HK$'000	HK$'000	HK$'000
Bank borrowings:				
As at 31 March 2020	**3.56**	**64,698**	**64,698**	**64,400**
As at 31 March 2019	3.82	30,284	30,284	30,000

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

(c) Fair value measurement

Management of the Group estimate, the fair value of its financial assets and financial liabilities measured at amortised cost using the discount cash flow analysis.

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK$'000	Obligations under finance leases HK$'000	Bank borrowings HK$'000	Dividend payable HK$'000	Accrued share issue costs HK$'000	Total HK$'000
At 1 April 2018	—	1,013	1,357	—	—	2,370
Financing cash flows	—	(1,338)	28,633	(33,880)	(12,387)	(18,972)
Finance costs	—	36	36	—	—	72
Increase in accrued interest	—	—	(26)	—	—	(26)
Purchase of property, plant and equipment	—	289	—	—	—	289
Dividends declared	—	—	—	33,880	—	33,880
Transaction costs attributable to issue of shares	—	—	—	—	12,387	12,387
At 31 March 2019	—	—	30,000	—	—	30,000
Adjustment upon application of HKFRS 16 (note 2)	2,415	—	—	—	—	2,415
At 1 April 2019 (restated)	2,415	—	30,000	—	—	32,415
Financing cash flows	**(1,493)**	**—**	**32,381**	**(6,141)**	**—**	**24,747**
Finance costs	**79**	**—**	**2,019**	**—**	**—**	**2,098**
New lease entered	**752**	**—**	**—**	**—**	**—**	**752**
Exchange adjustments	**(49)**	**—**	**—**	**—**	**—**	**(49)**
Dividends declared	**—**	**—**	**—**	**6,141**	**—**	**6,141**
At 31 March 2020	**1,704**	**—**	**64,400**	**—**	**—**	**66,104**

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**—***	—*
Amounts due from subsidiaries	**109,700**	74,000
	109,700	74,000
Current assets		
Other receivables, deposits and prepayments	**—**	518
Amounts due from subsidiaries	**54,835**	25,055
Short-term bank deposits	**—**	60,000
Bank balances	**5,139**	18,458
	59,974	104,031
Current liability		
Other payables and accruals	**165**	6
Net current assets	**59,809**	104,025
Total assets less current liabilities	**169,509**	178,025
Capital and reserves		
Share capital (note 30)	**7,676**	7,676
Reserves	**161,833**	170,349
	169,509	178,025

* Amount less than HK$1,000

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37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — continued

Movement in the Company's reserves

	Share premium HK$'000	**Share option reserve** HK$'000	**(Accumulated losses) retained profits** HK$'000	**Total** HK$'000
At 1 April 2018	—	—	(6,397)	(6,397)
Profit and total comprehensive income for the year	—	—	53,106	53,106
Capitalisation issue (note 30(b))	(5,700)	—	—	(5,700)
Issue of new shares upon share offer (note 30(c))	159,600	—	—	159,600
Transaction costs attributable to issue of new shares	(12,387)	—	—	(12,387)
Recognition of equity-settled share based payments (note 40)	—	4,455	—	4,455
Issue of new shares upon exercise of share options (note 30(d))	13,188	(1,636)	—	11,552
Dividends recognised as distribution (note 12)	—	—	(33,880)	(33,880)
At 31 March 2019	154,701	2,819	12,829	170,349
Loss and total comprehensive expense for the year	**—**	**—**	**(3,913)**	**(3,913)**
Recognition of equity-settled share based payments (note 40)	**—**	**1,538**	**—**	**1,538**
Dividends recognised as distribution (note 12)	**—**	**—**	**(6,141)**	**(6,141)**
At 31 March 2020	**154,701**	**4,357**	**2,775**	**161,833**

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following balances and transactions with its related parties during the year:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Interest income from loan to an associate	**990**	—
Rental expenses to a related company (Note a)	**N/A***	562
Rental expenses to Controlling Shareholders (Note b)	**N/A***	593

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Lease liabilities to a related company	**389**	N/A*
Lease liabilities to controlling shareholders	**744**	N/A*
Loan to an associate	**24,501**	—
Interest receivable from an associate	**961**	—

* N/A = not applicable

During the year ended 31 March 2020, the Group acquired an associate from a related party. Details are disclosed in note 16.

Prior to 7 May 2018, certain premises held by Mr. PS Lee and Ms. LC Lau (either individually or jointly) were used by the Group as office and showroom without consideration. On 7 May 2018, the Group entered into lease agreements with Mr. PS Lee and Ms. LC Lau in respect of such premises for a term of approximately 35 months commencing from 7 May 2018 to 31 March 2021 at an aggregate monthly rental of HK$53,000. During the year ended 31 March 2019, the Group has further entered into a lease agreement with Mr. PS Lee and Ms. LC Lau in respect of an office premise, details of the operating lease commitments are disclosed as below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

38. RELATED PARTY TRANSACTIONS — continued

Notes:

(a) As at 31 March 2019, the Group had commitments for future minimum payments under non-cancellable operating lease for a warehouse premises with a company controlled by Mr. PS Lee, which fall due as follows:

	As at 31 March 2019 HK$'000
Within one year	562
In the second to fifth year inclusive	421
	983

As at 1 April 2019, the Group recognised lease liabilities and right-of-use assets in respect of the above lease.

(b) As at 31 March 2019, the Group had commitments for future minimum payments under non-cancellable operating leases for office and showroom premises with Mr. PS Lee and Ms. LC Lau (either individually or jointly), which fall due as follows:

	As at 31 March 2019 HK$'000
Within one year	756
In the second to fifth year inclusive	1,116
	1,872

As at 1 April 2019, the Group recognised lease liabilities and right-of-use assets in respect of the above lease.

The above lease is negotiated for a fixed term of 3 years with fixed rental during the lease term.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel of the Group during the year were as follows:

	Year ended 31 March	
	2020 HK$'000	2019 HK$'000
Short-term benefits	**8,228**	6,564
Equity-settled share option expenses	**188**	1,652
Retirement benefit scheme contributions	**161**	122
	8,577	8,338

The remuneration of directors and key executives is determined by remuneration committee having regard to the performance of individuals and market trends.

39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2019, the Group entered into finance lease arrangements in respect of certain property, plant and equipment with a total capital value at inception of the respective leases of approximately HK$289,000.

40. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 19 September 2018 for the primary purpose of providing incentives to eligible participants, and shall be valid and effective for a period of 10 years. Under the Scheme, the board of directors of the Company may grant options to eligible participants to subscribe for shares in the Company.

At 31 March 2020 and 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 16,300,000 shares, representing 2.1% of the total ordinary shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the Listing date and 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The table below discloses movement of the Company's share options granted under the Scheme during the years ended 31 March 2019 and 2020:

	Exercise period	At 1 April 2018	Granted during the year	Cancelled during the year (note a)	Exercised during the year	At 31 March 2019	Cancelled during the year (note b)	At 31 March 2020
Number of share options outstanding:								
— Employees	11 January 2022 to 10 January 2024	—	4,400,000	(50,000)	—	4,350,000	**(25,000)**	**4,325,000**
	11 January 2023 to 10 January 2024	—	4,400,000	(50,000)	—	4,350,000	**(25,000)**	**4,325,000**
	11 January 2019 to 10 January 2020	—	7,600,000	—	(7,600,000)	—	**—**	**—**
— Consultant	11 January 2019 to 10 January 2021	—	7,600,000	—	—	7,600,000	**—**	**7,600,000**
		—	24,000,000	(100,000)	(7,600,000)	16,300,000	**(50,000)**	**16,250,000**
Number of share options exercisable		—				7,600,000		**7,600,000**

Notes:

(a) During the year ended 31 March 2019, 100,000 share options of the Company previously granted to an employee were cancelled as such employee had not accepted the share options.

(b) During the year ended 31 March 2020, 50,000 share options of the Company previously granted to an employee were cancelled to such employee has resigned on 12 May 2019.

During the year ended 31 March 2019, the closing price of the Company's shares at the date on which the share options were exercised by an employee of the Group was HK$2.78 per share.

40. SHARE-BASED PAYMENTS — continued

A total of 24,000,000 share options were granted on 11 January 2019 with exercise price of HK$1.53 per share, out of which 15,200,000 shares are vested immediately on grant date, 4,400,000 shares will be vested in three years from the grant date and the remaining 4,400,000 shares will be vested in four years from the grant date. The exercise price was determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The fair value of the options determined at the date of grant using the Binomial option pricing model was HK$9,348,000.

The following assumptions were used to calculate the fair values of share options at the date of grant on 11 January 2019:

	Group 1 Employees	Group 2 Employees	Group 3 Consultant
Share options granted at grant date	8,800,000	7,600,000	7,600,000
Spot price per share on grant date	HK$1.53	HK$1.53	HK$1.53
Exercise price	HK$1.53	HK$1.53	HK$1.53
Life to expiration (Note a)	5 years	1 year	2 years
Expected volatility (Note b)	49.359%	37.063%	37.010%
Dividend yield	1.307%	1.307%	1.307%
Risk-free interest rate (Note c)	1.769%	1.577%	1.652%

Notes:

(a) Life to expiration: Being the period commencing on the date of grant based on the contractual terms of the share options to the expiring date.

(b) Expected volatility: Estimated with reference to historical price volatilities of 4 comparable companies as extracted from Bloomberg for a period equal to the life to expiration as of the valuation date.

(c) Risk-free interest rate: Determined with reference to the yields of Hong Kong Sovereign Curve with a maturity life equal to the life to expiration as of the valuation date.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of reporting period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share options reserve.

The share-based payment expenses of approximately HK$1,538,000 for the year ended 31 March 2020 (2019: approximately HK$4,455,000) was recognised in profit or loss (included in direct costs and administrative expenses according to the nature of work these employees and consultant are employed/engaged for).

41. CAPITAL COMMITMENTS

	As at 31 March	
	2020 **HK$'000**	2019 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**32,569**	—

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2020 and 2019 as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued share capital/ paid-up capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2020	2019	
Directly held by the Company:						
HY Metal Company Limited	BVI	Hong Kong	Ordinary share of US$1	**100%**	100%	Investment holding
HY China Investment Company Limited	BVI	Hong Kong	Ordinary share of US$1	**100%**	100%	Investment holding
Indirectly held by the Company:						
Hang Yick HK	Hong Kong	Hong Kong	Ordinary share of HK$10,000	**100%**	100%	Design, manufacture, supply and installation of steel and metal products for construction projects
惠州恒益五金製品有限公司# Huizhou Hengyi Wujin Zhipin Limited ("Huizhou Hengyi")	The PRC	The PRC	Paid up capital of HK$25,000,000 (2019: HK$16,000,000)	**100%**	100%	Manufacture and sales of steel and metal products
CDI Hang Yick SZ#	The PRC	The PRC	Paid up capital of RMB3,904,819 (2019: Nil)	**60%**	60%	Design and installation for construction and decoration projects
Fujian Hejin#	The PRC	The PRC	Paid up capital of RMB1,415,485	**60%**	N/A	Design and installation for construction and decoration projects

Being a wholly foreign-owned entity established in the PRC

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

Except for Huizhou Hengyi which have a financial year end of 31 December, all subsidiaries are limited liability companies and have adopted 31 March as their financial year end date.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at any time during both years or at the end of the reporting period.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss for the year allocated to non-controlling interests		Accumulated non-controlling interests	
		As at 31 March		Year ended 31 March		As at 31 March	
		2020	2019	**2020** **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
HY Capital Holdings Company Limited ("HY Capital") and its subsidiaries	BVI/PRC	**40%**	40%	**(2,007)**	—	**(2,027)**	—

Summarised financial information for the years ended 31 March 2020 and 2019 in respect of the Group's subsidiaries that have material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	As at 31 March	
HY Capital and its subsidiaries	**2020** **HK$'000**	2019 HK$'000
Non-current assets	**59,504**	—
Current assets	**25,290**	245
Current liabilities	**(89,905)**	(288)
Equity attributable to owners of the Company	**(3,084)**	(43)
Non-controlling interests of CDI Hang Yick SZ	**(2,027)**	—

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Expenses	**(5,017)**	(43)
Loss for the year	**(5,017)**	(43)
Other comprehensive expense for the year	**(51)**	—
Loss and total comprehensive expense for the year	**(5,068)**	(43)
Loss for the year attributable to		
— owners of the Company	**(3,010)**	(43)
— non-controlling interests	**(2,007)**	—
Loss for the year	**(5,017)**	(43)
Other comprehensive expense for the year attributable to		
— owners of the Company	**(31)**	—
— non-controlling interests	**(20)**	—
Other comprehensive expense for the year attributable to	**(51)**	—
Loss and total comprehensive expense for the year attributable to		
— owners of the Company	**(3,041)**	(43)
— non-controlling interests	**(2,027)**	—
Loss and total comprehensive expense for the year	**(5,068)**	(43)
Net cash (outflow) inflow from operating activities	**(4,392)**	27
Net cash outflow from investing activities	**(46,585)**	—
Net cash inflow from financing activities	**73,035**	43
Net cash inflow for the year	**22,058**	70

43. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The outbreak of COVID-19 pandemic has adversely impacted the domestic economic market and Hong Kong's construction industry. The profound economic slowdown has restrained the business growth of the construction industry players with shrinking sizes and numbers of projects since the outbreak of COVID-19 pandemic. As the situation remains fluid as at the date these consolidated financial statements are authorised for issue, the directors of the Company considered that the financial effect of the COVID-19 pandemic on the Group's future financial statements cannot be reasonably estimated. The directors of the Company will continue to monitor the situation closely.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is as follows.

RESULT

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**200,380**	181,926	199,199	161,483	122,698
Profit before taxation	**15,599**	23,099	62,534	46,488	35,431
Income tax expenses	**(5,361)**	(7,038)	(10,310)	(8,395)	(6,025)
Profit for the year	**10,238**	16,061	52,224	38,093	29,406

ASSETS AND LIABILITIES

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**333,342**	286,343	117,682	144,390	123,837
Total liabilities	**(87,148)**	(42,578)	(19,125)	(74,486)	(67,733)
Net assets	**246,194**	243,765	98,557	69,904	56,104

Note: Since 1 April 2018, the Group has applied HKFRS 9 "Financial Instruments" issued by the Hong Kong Institute of Certified Public Accountants, without restating comparative information (see note 3 to the consolidated financial statements of this annual report for details). Accordingly, certain comparative financial information for the years ended 31 March 2016, 2017 and 2018 may not be comparable to that for the year ended 31 March 2019.

Since 1 April 2019, the Group has applied HKFRS 16 "Leases" issued by the Hong Kong Institute of Certified Public Accountants. Accordingly, certain comparative information for the years ended 31 March 2016, 2017, 2018 and 2019 may not be comparable to the year ended 31 March 2020 as such comparative information was prepared under HKAS 17 "Leases". Accounting policies resulting from application of HKFRS 16 are disclosed in note 3 to the consolidated financial statements of this annual report.