

B & D Strategic Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1780

2020

ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Wing Kwok (*Chairman*)

Mr. Lo Wing Hang (*Vice Chairman and Chief executive officer*)

Independent non-executive Directors

Mr. Yeung Tze Long

Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai)
(Resigned on 31 January 2020)

Mr. Cheung Ting Kin

Mr. Chan Pui Hang Ian (Appointed on 31 January 2020)

AUDIT COMMITTEE

Mr. Yeung Tze Long (*Chairman*)

Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai)
(Resigned on 31 January 2020)

Mr. Cheung Tin Kin

Mr. Chan Pui Hang Ian (Appointed on 31 January 2020)

REMUNERATION COMMITTEE

Mr. Yeung Tze Long (*Chairman*)

Mr. Lo Wing Hang

Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai)
(Resigned on 31 January 2020)

Mr. Chan Pui Hang Ian (Appointed on 31 January 2020)

NOMINATION COMMITTEE

Mr. Tang Wing Kwok (*Chairman*)

Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai)
(Resigned on 31 January 2020)

Mr. Cheung Tin Kin

Mr. Chan Pui Hang Ian (Appointed on 31 January 2020)

COMPANY SECRETARY

Ms. Li Yuen Shan (Resigned on 1 February 2020)

Ms. Chik Wai Chun (Appointed on 1 February 2020)

AUTHORISED REPRESENTATIVES

Mr. Tang Wing Kwok

Ms. Li Yuen Shan (Resigned on 1 February 2020)

Ms. Chik Wai Chun (Appointed on 1 February 2020)

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kwai Chung

New Territories

Hong Kong

COMPLIANCE ADVISER

Grande Capital Limited

Room 2701, 27th Floor, Tower 1

Admiralty Centre

18 Harcourt Road, Admiralty

Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Adrian Yeung & Cheng

Suite 1201–2A, 12th Floor

Golden Centre

188 Des Voeux Road Central

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKER

Shanghai Commercial Bank Limited
Shop G1-2, Ground Floor, Metro City Plaza III
The Metropolis
8 Mau Yip Road, Tseung Kwan O
New Territories
Hong Kong

COMPANY WEBSITE

www.bnd-strategic.com.hk

STOCK CODE

1780

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of B & D Strategic Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the second annual report of the Group for the year ended 31 March 2020.

The Group is an established contractor engaging in alteration and addition works and civil engineering works in Hong Kong for over 20 years. The Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 April 2019 (the "**Listing Date**"). The Listing marked a new milestone for the Company, when we successfully raised a total net cash proceeds of approximately HK\$96.7 million (after deducting the underwriting commissions and estimated expenses payable by the Company in connection with the Share Offer). We believe that the Listing has not only enhanced our corporate profile, but also reinforced our Group's image as a well-established company as well as broadening our client base and providing sufficient capital for our expansion.

For the year ended 31 March 2020, the Group's total revenue amounted to approximately HK\$441.9 million, representing an increase of approximately 46.8% as compared to that of the year ended 31 March 2019. Profit attributable to owners of the Company was approximately HK\$30.9 million. With the intensified competition in the civil engineering works and alternation and addition works in Hong Kong, as well as the labour shortage and the increasing operation costs, the Group is facing new challenges ahead. The extent of such challenges may become more severe due to the business and social environment of Hong Kong since the third quarter of 2019 and the COVID-19 pandemic (the "**Epidemic**") since the first quarter of 2020. Nevertheless, we remain cautiously optimistic towards the future as we believe that we shall remain competitive in the market despite the industry's prospect because of (i) our long-standing relationship with some of our major customers, suppliers and subcontractors; (ii) our capability to provide diverse types of services; (iii) our well-established presence in the construction industry in Hong Kong; and (iv) our experienced and dedicated management team.

Looking forward, the Group will intensely focused on maintaining its competitive strengths. It will also realise other growth opportunities and continue to execute our growth strategies as set out in the listing prospectus dated 13 April 2019 (the "**Prospectus**") in order to maintain our competitive and provide comprehensive services to our customers.

In closing, we would like to acknowledge the team. The year of 2019 to 2020 was a demanding year and we are extremely proud of the dedication and commitment they have shown in support of achieving our growth. With our experienced team and decades of valuable experience in construction projects, we are convinced that we can expand our operation scale and maximise returns to our shareholders.

Tang Wing Kwok

Chairman

Hong Kong, 29 June 2020

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

We are a contractor specialising in alteration and addition works and civil engineering works in Hong Kong. In order to emphasise the specification on different fields of construction works, among our principal operating subsidiaries, Ka Shun Contractors Limited (“**Ka Shun Contractors**”) mainly focuses on the provision of alteration and addition works, while Ka Shun Civil Engineering Limited (“**Ka Shun Civil Engineering**”) and Ka Construction Company Limited (“**Ka Construction**”) mainly focus on the provision of civil engineering works which generally include site formation works and foundation works.

We have obtained all material licenses, permits and registration required for carrying on our business activities, including the Registered General Building Contractors and Specialist Contractors — Site Formation Works granted by Buildings Department; the Approved Contractors for Public Works (Roads and Drainage) and the Approved Contractors for Public Works (Site Formation) both under Group B (probationary) granted by Works Branch of the Development Bureau of the Government of Hong Kong; and Subcontractor Registration Scheme of the Construction Industry Council under the group of concreting formwork, reinforcement bar fixing, concreting and general civil works.

The shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange on the Listing Date, when 155,000,000 ordinary shares (comprising a public offer of 31,000,000 shares and placing of 124,000,000 shares) had been offered for subscription. The proceeds are intended to apply on the Group’s future plans as set out in the section headed “Future Plans and Use of Proceeds” to the Prospectus.

As at 31 March 2020, the Group had 7 contracts on hand (including contracts in progress and contracts which are yet to commence) with a total original contract value of approximately HK\$607.0 million. As at 31 March 2019, we had 9 contracts on hand with a total original contract value of approximately HK\$624.0 million.

In general, our customers primarily include property asset management companies, property developers and contractors in Hong Kong. We engage in projects in both public and private sectors. Public sector projects refer to projects of which the customer is a Government department, a statutory body or a Government controlled entity. During the year ended 31 March 2020, we focused undertaking projects in the private sector.

Looking forward, the Directors anticipate that the year of 2020 will be a challenging year. The social events in Hong Kong since the third quarter of 2019 and the Epidemic may cause uncertainty to the construction industry in Hong Kong as we will continue facing with keen competition in tenders in terms of the numbers and the prices as well as the increase of costs for labours and materials when the construction progresses are affected. However, according to the 2020–2021 Budget of the Government of Hong Kong published in February 2020, the Government of Hong Kong will continue to invest in infrastructure projects and the annual capital works expenditure is expected to reach HK\$100 billion on average and the annual total construction output will increase to around HK\$300 billion in the next few years. Hence, the Directors are cautiously optimistic about the construction industry in Hong Kong and believe that our Group can further strengthen the two streams of businesses of alteration and addition works and civil engineering works with the expected growth in the private and public sectors construction projects together with our experienced management team.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$300.9 million for the year ended 31 March 2019 to approximately HK\$441.9 million for the year ended 31 March 2020, representing an increase of approximately 46.8%.

The increase was primarily due to an increased amount of construction works were performed by our Group on the sizable civil engineering projects during the year ended 31 March 2020.

Direct Costs

Our direct costs increased from approximately HK\$230.7 million for the year ended 31 March 2019 to approximately HK\$390.7 million for the year ended 31 March 2020, representing an increase of approximately 69.3%. Such increase was mainly because (i) we engaged more subcontractors than last year in order to facilitate our projects' site management; and (ii) more direct costs were incurred due to the impact arising from the Epidemic since the first quarter of 2020.

Gross Profit and Gross Profit Margin

Our gross profit amounted to approximately HK\$70.2 million and approximately HK\$51.2 million for the year ended 31 March 2019 and the year ended 31 March 2020 respectively, representing a decrease of approximately 27.2%. The decrease in our gross profit was primarily due to the decrease in our gross profit margin in both alteration and addition works and civil engineering works segments.

The gross profit margin of alteration and addition works segment decreased from approximately 24.2% for the year ended 31 March 2019 to approximately 12.4% for the year ended 31 March 2020. The decrease was mainly because (i) certain projects with higher gross profit margin were substantially completed in the year ended 31 March 2019 and they were in completion stage during the year ended 31 March 2020 which generated a lower profit margin; (ii) new projects awarded were with relatively lower contract sums and lower gross profit margin due to the keen tender competition which was mainly due to the impact arising from social events in Hong Kong since the third quarter of 2019 and the Epidemic; and (iii) additional direct costs were incurred due to the impact arising from the Epidemic since the first quarter of 2020.

The gross profit margin of civil engineering works segment decreased from approximately 21.2% for the year ended 31 March 2019 to approximately 11.0% for the year ended 31 March 2020. The decrease was mainly because (i) more subcontractors were engaged; and (ii) the planned construction progress of certain projects of civil engineering works were adversely affected due to the Epidemic, hence, additional costs were incurred in the fourth quarter of 2019 in order to catch up with the planned construction progress of such projects.

Other Income and Other Gains

Our income and other gains mainly represents interest income from fixed bank deposits, which increased from approximately HK\$0.1 million for the year ended 31 March 2019 to approximately HK\$2.2 million for the year ended 31 March 2020. Such increase was mainly due to an increase in interest income from fixed bank deposits. We placed our unutilised proceeds from the initial public offering at banks for interest income since the Share Offer.

Administrative Expenses

Our administrative expenses increased from approximately HK\$9.7 million for the year ended 31 March 2019 to approximately HK\$17.0 million for the year ended 31 March 2020, representing an increase of approximately 75.0%. Such increase was mainly due to (i) the increase of administrative staff costs due to the increase in bonus payment; and (ii) the payment of post-listing compliance expenses, including legal and professional fees.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Profit Before Tax

Our profit before tax decreased from approximately HK\$43.1 million for the year ended 31 March 2019 to approximately HK\$36.4 million for the year ended 31 March 2020, which was mainly attributable to (i) the net effect of the decrease in gross profit and the increase in administrative expenses as discussed above; and (ii) the recognition of listing expenses of approximately HK\$17.5 million during the year ended 31 March 2019 while no such expenses were recognised during the year ended 31 March 2020.

Our income tax expense decreased from approximately HK\$9.7 million for the year ended 31 March 2019 to approximately HK\$5.5 million for the year ended 31 March 2020 as a result of the decrease in the gross profit and the increase in administrative expenses as discussed above.

Profit and Total Comprehensive Income for the year

Our profit and total comprehensive income for the year decreased from approximately HK\$33.4 million for the year ended 31 March 2019 to approximately HK\$30.9 million for the year ended 31 March 2020, which was mainly due to (i) the net effect of the decrease in gross profit and the increase in administrative expenses as discussed above; and (ii) the recognition of the listing expenses of approximately HK\$17.5 million during the year ended 31 March 2019 while no such expenses were recognised during the year ended 31 March 2020.

Key Financial Ratio

| | Notes | As at 31 March 2020 | As at 31 March 2019 |
|------------------------|-------|------------------------|------------------------|
| Current ratio | (1) | 4.5 times | 3.9 times |
| Return on total assets | (2) | 9.3% | 17.0% |
| Return on equity | (3) | 11.8% | 22.8% |
| Net profit margin | (4) | 7.0% | 11.1% |

Notes:

1. Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.
2. Return on total assets is calculated as profit for the year divided by the total assets as of the respective reporting dates.
3. Return on equity is calculated as profit and total comprehensive income for the year divided by the total equity attributable to owners of the Company as of the respective reporting dates.
4. Net profit margin is calculated as profit and total comprehensive income divided by the revenue for the respective reporting years.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Current Ratio

Our current ratio was increased from approximately 3.9 times as at 31 March 2019 to approximately 4.5 times as at 31 March 2020. The increase was mainly due to the increase in bank and cash balances as a result of the Share Offer.

Return on Total Assets

Our return on total assets decreased from approximately 17.0% for the year ended 31 March 2019 to approximately 9.3% for the year ended 31 March 2020. The decrease was mainly due to the combined effect of (i) the increase in bank and cash balances as a result of the Share Offer; and (ii) the decrease in profit and total comprehensive income for the year ended 31 March 2020 as discussed above.

Return on Equity

Our return on equity decreased from approximately 22.8% for the year ended 31 March 2019 to approximately 11.8% for the year ended 31 March 2020. The decrease was mainly due to the combined effect of (i) the increase in bank and cash balances as a result of the Share Offer; and (ii) the decrease in profit and total comprehensive income for the year ended 31 March 2020 as discussed above.

Net Profit Margin

Although our Group incurred the listing expenses of approximately HK\$17.5 million during the year ended 31 March 2019 (2020: Nil), our Group's net profit margin decreased from approximately 11.1% for the year ended 31 March 2019 to approximately 7.0% for the year ended 31 March 2020. The decrease was primarily due to (i) the decrease in the gross profit margin of our Group; and (ii) the increase in our Group's administrative expenses as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the Company's issued capital was HK\$6.2 million and the number of its issued ordinary shares was 620,000,000 shares of HK\$0.01 each.

As at 31 March 2020, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK\$150.1 million and approximately HK\$17.0 million respectively (31 March 2019: approximately HK\$61.1 million and approximately HK\$21.3 million respectively).

The Group has funded the liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities for the year ended 31 March 2020.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

GEARING RATIO

Gearing ratio is calculated by dividing all borrowings by total equity at the year-end date and expressed as a percentage. The gearing ratio of the Group as at 31 March 2020 was 0% (2019: 0%).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURES

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange exposure for the year ended 31 March 2020 as well as for the year ended 31 March 2019.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2019 and 2020, the Group had no material capital commitments and contingent liabilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, there was no plans for material investments or capital assets as at 31 March 2020.

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

The Shares of the Company were listed on the Listing Date. The net proceeds from the initial public offering amounted to approximately HK\$96.7 million, which have been utilised by the Group in accordance with the disclosure as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Up to the date of this annual report, details of the use of the proceeds are listed as below:

| | Planned use of proceed HK\$'000 | Actual usage from the Listing Date to 31 March 2020 HK\$'000 | Unused amount up to 31 March 2020 HK\$'000 |
|--------------------------------------|---------------------------------------|--|---|
| Strengthening our financial position | 77,428 | 77,428 | – |
| Expanding our workforce | 10,840 | 1,247 | 9,593 |
| Enhancing our machinery fleet | | | |
| — Replacing NRMM exempted machinery | 4,162 | 4,162 | – |
| General working capital | 4,355 | 4,355 | – |
| | 96,785 | 87,192 | 9,593 |

As at the date of this annual report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong. The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. Up to the date of this annual report, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, we employed a total of 60 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 89 full-time employees as at 31 March 2019. The remuneration packages that the Group offers to employees includes salary, discretionary bonuses, staff benefits, contributions and retirement schemes as well as other cash subsidies. In general, the Group determines employee's salaries based on each employee's qualifications, position and seniority. 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 promotions. The total staff cost incurred by the Group for the year ended 31 March 2020 was approximately HK\$27.7 million compared to approximately HK\$30.9 million in the corresponding year ended 31 March 2019.

FINAL DIVIDENDS

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

EVENTS AFTER THE YEAR ENDED 31 MARCH 2020

The wide spread of the Epidemic is a fluid and challenging situation that all industries and the society have to face with. The Group keeps on monitoring the overall impact of the situation on the operation of the Group and has taken all possible effective measures to limit and keep the impact in control. The Group will continue to keep attention on the change of the situation and will make timely response and adjustments (if necessary) in the future.

Save as disclosed in this paragraph, there is no other material event affecting the Group which has occurred after the year ended 31 March 2020 and up to the date of this report.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Tang Wing Kwok (鄧永國), aged 51, is our Chairman and an executive Director. He was appointed a Director on 24 April 2018 and was re-designated as an executive Director on 31 May 2018. Mr. Tang is one of our Controlling Shareholders ("**Controlling Shareholders**") and the chairman of the nomination committee. Mr. Tang is responsible for giving strategic advice and guidance on the business and operations of our Group, project planning, budgeting, execution of daily management and administration of our business and operations.

Mr. Tang has accumulated over 26 years of experience in the civil engineering industry in Hong Kong. Mr. Tang is a co-founder of our Group. He has been an Authorised Signatory of Ka Shun Civil Engineering Company Limited ("**Ka Shun Civil Engineering**") since Ka Shun Civil Engineering has been registered in the register of the general building contractors maintained by the Buildings Department. Save and except Mr. Tang resigned as director of Ka Shun Contractors Limited and was appointed on 13 March 2017, Mr. Tang has been a director of Ka Shun Civil Engineering, Ka Shun Contractors and Ka Construction since August 1995, July 2003 and October 2012 respectively. He is also a director of Sky Winner Holdings Limited ("**Sky Winner**") (one of our Controlling Shareholders), Joy Goal Limited ("**Joy Goal**"), Best Century International Holding Ltd. ("**Best Century International**") and Profit Gather Investment Limited ("**Profit Gather Investment**").

Mr. Tang obtained a bachelor degree of Science in Quantity Surveying from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1991. Mr. Tang has been a Professional Associate of The Royal Institution of Chartered Surveyors since January 1995, an Associate of The Hong Kong Institute of Surveyors since June 1998, a member of the Association for Project Management since March 1999 and a Registered Professional Surveyor in the Quantity Surveying Division of the Surveyors Registration Board since October 2001.

Prior to his setting up Ka Shun Civil Engineering in July 1995, Mr. Tang had been an assistant quantity surveyor of Ove Arup & Partners Hong Kong Limited from April 1993 to February 1995.

Mr. Lo Wing Hang (勞永亨), aged 64, is our Vice-chairman of our Board, the chief executive officer and an executive Director. He was appointed a Director on 24 April 2018 and was re-designated as an executive Director on 31 May 2018. Mr. Lo is one of our Controlling Shareholders and a member of the remuneration committee. Mr. Lo is responsible for overall business development, project planning, budgeting, contract administration, overseeing execution of projects and managing quality management system.

Mr. Lo has accumulated over 41 years of experience in the construction industry in Hong Kong. Mr. Lo is a founder of Ka Shun Contractors and was a director since July 2003. He has been an Authorised Signatory of Ka Shun Contractors since Ka Shun Contractors has been registered in the register of the general building contractors maintained by the Buildings Department in July 2011. Mr. Lo has been a director of Ka Shun Civil Engineering and Ka Construction since December 2010 and October 2012 respectively. He is also a director of Sky Winner, Joy Goal, Best Century International and Profit Gather Investment.

Biographical Details of Directors and Senior Management

Executive Directors (continued)

Mr. Lo obtained a Certificate in Civil Engineering from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982, an Advanced Diploma in Construction Management from the School of Professional and Continuing Education of The University of Hong Kong in March 2003, a Professional Diploma in Construction Project Management from the School of Professional and Continuing Education of The University of Hong Kong in July 2004, a degree of Bachelor of Science in Work Based Learning Studies (Construction Project Management) (a distance learning programme with some face-to-face contact) from Middlesex University, the United Kingdom in February 2009, a Bachelor of Applied Science (Construction management and economics) from the Curtin University of Technology, Australia in February 2010, in which Mr. Lo was classed as an overseas student where he studied at the said University's default location — HKU SPACE Island East.

Mr. Lo was admitted a member of the Hong Kong Institute of Construction Managers in May 2012, a Registered Construction Manager of the Hong Kong Institute of Construction Managers in September 2014, a Chartered Building Engineer and a member of the Chartered Association of Building Engineers in December 2014 and became a fellow member in March 2018, and a member of the National Council of The Australian Institute of Building in March 2015.

Prior to joining our Group, Mr. Lo was a foreman of Hing Lee Construction Co., Ltd. from June 1978 to 1981, a project manager of South Star Construction Company Limited from January 1983 to March 1987, a sub-agent of Sung Foo Kee Limited from March 1987 to June 1990 and his last position was a site agent, and a site agent of International Tak Cheung Construction & Engineering Co. Ltd. from March 1991 to April 1992 where his last position was a project manager. Mr. Lo was a shareholder of Program Contractors Limited, a private limited company operating engineering business in Hong Kong from February 1992 to November 2003 and a director from December 1991 to April 2004.

Mr. Lo is the father of Mr. Lo Wai Man, a member of our senior management.

Independent non-executive Directors

Mr. Yeung Tze Long (楊子朗), aged 45, is an independent non-executive Director appointed by our Company on 4 April 2019. Mr. Yeung is also the chairman of the audit committee and the remuneration committee.

Mr. Yeung obtained a degree of Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 1997. He was registered as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2001.

Mr. Yeung, with start from February 2019, currently is the general manager in the group finance department of a private logistic and industrial property developer and operator principally operating in the PRC. He was an authorised representative, chief financial officer and company secretary of China Ruifeng Renewable Energy Holdings Limited (stock code: 0527), a company listed on the Main Board of the Stock Exchange, from June 2017 to December 2018. He was an audit principal of Zhonghui Anda CPA Limited from April 2014 to May 2017, a director of internal audit & finance integration of Greenheart Group Limited (stock code: 94), a company listed on the Main Board of the Stock Exchange, from January 2010 to November 2013, and a staff accountant of Ernst and Young from 1997 to 2008 with his last position as a senior manager.

Biographical Details of Directors and Senior Management

Independent non-executive Directors (continued)

Mr. Cheung Ting Kin (張錠堅), aged 37, is an independent non-executive Director appointed by our Company on 4 April 2019. Mr. Cheung is also a member of the audit committee and the nomination committee.

Mr. Cheung obtained a degree of Bachelor of Commerce Accounting and Finance from the Curtin University of Technology, Australia in September 2004 and a Master of Finance from the Australian National University, Australia in December 2005. He was admitted as an associate of CPA Australia in June 2004 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in March 2015. He was also awarded as a certified dealmaker by the China Mergers & Acquisitions Association in February 2015.

Mr. Cheung has accumulated over 14 years of experience in the accounting and financial areas. He is currently an independent non-executive director of Sun Cheong Creative Holdings Limited (stock code: 1781), a company listed on the Main Board of the Stock Exchange, since August 2018. He is the business development director of Plutus Securities Limited (a licensed corporation under the SFO to engage in Type 1 (Dealing in securities) regulated activity) and Plutus Assets Management Limited (a licensed corporation under the SFO to engage in Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities) since January 2019. He is currently also a non-executive director of Guardians Asset Management Limited since February 2017 and a director of Maia Global Investments Limited since June 2016, responsible for overseeing the overall management and strategic planning. He was previously the chief financial officer and company secretary of Richly Field China Development Limited (stock code: 313), a company listed on the Main Board of the Stock Exchange, since July 2014 and July 2015 respectively, where he first joined as a financial controller from October 2013 to July 2014. He was previously the chief financial officer of Seige Communication Limited from January 2012 to December 2013, the chief financial officer of Surrey Junction Investment Limited from May 2010 to November 2011 and the staff accountant of Ernst & Young (an international accounting firm) from September 2006 to November 2009, where his last position was a senior accountant.

Mr. Chan Pui Hang Ian (陳沛恒), aged 46, is an independent non-executive Director appointed by our Company on 31 January 2020. Mr. Chan is also a member of the audit committee, the remuneration committee and the nomination committee of the Company.

Mr. Chan has accumulated over 20 years of experience in credit, finance and tax areas. He is currently a director of EXE Credit Private Limited which was co-founded by him since about April 2018, which is a private investments company based in Singapore that specializes in delivering capital solutions to global entrepreneurs.

Prior to his co-founding EXE Credit Private Limited, Mr. Chan held senior positions in various global finance and accountants' firms during the past 18 years, including, holding the position as an executive director of the corporate section of JPMorgan Chase Bank, N. A. from July 2011 to April 2018, the regional tax leader for General Electric International Inc. from February 2008 to July 2011, a manager in tax practice of Ernst & Young Global Limited from March 2004 to January 2008 and a senior of Ernst & Young, United States from January 2000 to March 2004.

Mr. Chan obtained his Bachelor degree of Arts from The University of British Columbia, Vancouver, Canada in May 1997 and his degree of Master of Science in Taxation from Golden Gate University, Seattle, the United States of America in May 2008. He has been a Certified Public Accountant in the United States of America since October 2003 and has been a member of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) since August 2010 and was designated a Chartered Accountant of Singapore since January 2016.

Biographical Details of Directors and Senior Management

Senior Management

Mr. Leung Kin Fung Stephen (梁建豐) (formerly known as Leung Kin San Stephen (梁建新)), aged 59, is a technical director and authorised signatory of our Group. Mr. Leung joined our Group in February 2000 and is responsible for overseeing technical engineering-related matters of our Group. Mr. Leung has been the technical director of Ka Shun Civil Engineering in the register of the general building contractors maintained with the Buildings Department, since June 2000. He has also been the authorised signatory and the technical director of Ka Shun Civil Engineering in the register of specialist contractor in site formation category maintained with the Buildings Department since May 2000. Mr. Leung has accumulated over 19 years of experience in practicing as an engineer with our Group. Prior to joining our Group, Mr. Leung worked as a site engineering for Kirin Civil Engineering Contractors Limited from June 1991 to October 1994, an Assistant Engineer with Blyth & Blyth Service Company Limited from August 1990 to April 1991 and a structural engineer with Birkett Stevens Colman Partnership from October 1986 to July 1990.

Mr. Leung obtained a bachelor degree of Engineering from the Middlesex Polytechnic, the United Kingdom, in July 1986 and a degree of Master of Business Administration from American City University in June 2012. He was admitted as a member of The Institution of Structural Engineers in March 1992, a Chartered Engineer of The Institution of Structural Engineers in August 1993 and a member of the Hong Kong Institution of Engineers in April 1999. He has been registered as a Registered Professional Engineer (Structural) of the Engineers Registration Board since December 1999. Mr. Leung has been a Regional Commander (Des)/KE of the Auxiliary Medical Service since July 2015.

Mr. Lau Kwun Ho (劉冠豪), aged 39, is a project manager of our Group. Mr. Lau joined our Group from November 2004 to February 2012 and re-joined our Group in September 2012. He is responsible for overall project and site supervision and monitoring. Mr. Lau has been the authorised signatory of Ka Construction in the register of general building contractors maintained with the Building Department since September 2017.

Mr. Lau obtained a higher diploma in Building Studies from the Hong Kong Institute of Vocational Education in June 2006 and a bachelor degree of Science in Construction Project Management from the University of Central Lancashire in December 2013. Prior to his re-joining our Group in September 2012, he worked with Sanfield (Management) Ltd. from March 2012 to August 2012 and his last position was a coordinator.

Mr. Lo Wai Man (勞瑋文), aged 34, is a project manager of our Group. Mr. Lo Wai Man joined our Group as an assistant project engineer in June 2010 and was promoted to the present position in February 2012. He is responsible for overall project supervision and management. He has accumulated over 9 years of experience in supervising and managing our projects. Mr. Lo Wai Man is the son of Mr. Lo Wing Hang. He has been appointed a director of Joy Goal, Ka Shun Civil Engineering and Ka Shun Contractor since January 2018, January 2018 and April 2015, respectively.

Biographical Details of Directors and Senior Management

Senior Management (continued)

Ms. Chik Wai Chun (戚偉珍), aged 35, is the company secretary and authorised representative of our Group. Ms. Chik joined our Group on 1 February 2020 and is responsible for corporate governance and overall secretarial matters of our Group.

Ms. Chik has over 12 years of auditing, accounting, corporate governance and company secretarial experience. She obtained a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2015. She has been a member of The CPA Australia since June 2011 and a member of The Hong Kong Institute of Certified Public Accountants since September 2011. She has also been an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators both since March 2016. She is currently the company secretary, authorised representative and process agent of HangKan Group Limited (a company listed on the GEM of the Stock Exchange with stock code: 8331) which principally engaged in development of mine in the Anhui Province and production and sale of bentonite products in the People's Republic of China.

Mr. Yeung Ka Chun (楊嘉俊), aged 31, is the financial controller of our Group. Mr. Yeung joined our Group in October 2017 as an assistant accounting manager and was promoted to the present position in June 2020. He is mainly responsible for overseeing daily accounting and financial-related matters of our Group.

Mr. Yeung obtained a Higher Diploma in Accountancy from the Vocational Training Council, Hong Kong in July 2010 and a degree of Bachelor of Business Administration in Accounting from The Open University of Hong Kong in November 2013. He was admitted as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in May 2020.

Mr. Yeung has accumulated over 8 years in accounting and audit fields in Hong Kong. Prior to joining our Group, he has been working in the account and audit departments of various local CPA firms from August 2010 to October 2017 when he attained the position of a senior auditor.

Company Secretary

Ms. Chik Wai Chun (戚偉珍) was appointed as the company secretary of our Company on 1 February 2020. She is mainly responsible for corporate governance and overall corporate secretarial matters of our Group. Details of her qualifications and experience are set out in the paragraph headed "Senior management" above.

Directors' Report

The Board is pleased to present their second report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the **"Financial Statements"**).

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands with limited liability on 24 April 2018. The Company completed the corporate reorganisation (the **"Reorganisation"**) on 19 June 2018 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation — Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 30 April 2019 by way of share offer.

The Company is domiciled in Hong Kong and has a principal place of business at Units 2803–2803A, Asia Trade Centre, No. 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the year ended 31 March 2020 are set out in Note 28 to the Financial Statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 28 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2020.

SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 6 to the Financial Statement.

BUSINESS REVIEW

The business review and outlook of the Group for the year ended 31 March 2020 are set out in the section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 March 2020 (2019: Nil).

ANNUAL GENERAL MEETING

The annual general meeting will be held on Tuesday, 8 September 2020. A notice convening the meeting will be published in the Company's website of www.bnd-strategic.com.hk and despatched to the Shareholders of the Company in the manner as required by the Listing Rules in due course.

Directors' Report

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on Tuesday, 8 September 2020, the register of members of the Company will be closed from Thursday, 3 September 2020 to Tuesday, 8 September 2020, both days inclusive, during which period no transfer of shares will be registered. All completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 September 2020.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. The followings are the key risk and uncertainties identified by the Group relating to our business:

We had a concentration of customers

During the years ended 31 March 2020 and 2019, a significant portion of the Group's revenue was derived from a limited number of customers. For each of the years ended 31 March 2020 and 2019, our largest customer accounted for approximately 40.8% and 41.2% of the Group's revenue, respectively, while our five largest customers in aggregate accounted to approximately 94.5% and 94.1% of the Group's revenue, respectively.

There is no assurance that we will be able to maintain or improve the relationship with our major customers. There is also no assurance that we will be able to diversify the composition of our customer base. If any of our major customers materially reduces, delays or terminates its projects with us, we may not be able to secure projects on similar terms in a timely manner from other customers. As a result, there may be a material and adverse effect on our business, financial condition, results of operations as well as prospect.

Our revenue was mostly derived from contracts which are non-recurring in nature and there is no guarantee that our customers will award new contracts to us in the future

For the years ended 31 March 2020 and 2019, we generally derived our revenue from contracts which are non-recurring in nature and we did not enter into long-term agreement with our customers. As the contracts awarded are on a project-by-project basis, our customers are under no obligation to award contracts to us. As such, there is no assurance that our existing customers will continue to engage us in their upcoming projects after the completion of the current contracts. The number and scale of projects and the amount of revenue we are able to derive therefrom may therefore vary significantly from period to period. If we cannot continue to maintain the amounts of contracts at a similar level or obtain new projects of similar or even larger contract sum, our business, financial conditions, results of operation as well as business prospects may be materially and adversely affected.

We may not be able to maintain or increase our tender success rate

During the years ended 31 March 2020 and 2019, our projects were generally obtained through tendering process. For each of the years ended 31 March 2020 and 2019, our tender success rate was approximately 20.5% and 21.4% respectively. There is no guarantee that we will receive tender invitation from our customers or our tenders will be selected by our customers. As such, there is no assurance that we will be able to maintain or increase our tender success rate in the future. In that case, we may have to adjust our pricing strategy or offer more favourable terms to our customers to increase the competitiveness of our tenders. Failure to maintain our success rate on project tendering and to adjust our costs accordingly may materially or adversely affect our profitability and results of operations.

Directors' Report

KEY RISKS AND UNCERTAINTIES (continued)

We determine the tender price based on our estimated construction time and costs which may deviate from the actual time and costs and any inaccurate costs estimation and cost overrun may adversely affect our financial results

When preparing our tenders, we determine our tender price on a case-by-case basis by adopting a costs-plus pricing model. To estimate our costs of undertaking a project, we consider factors including (i) the nature, scope and complexity of the work involved; (ii) the project schedule; (iii) the availability of our manpower and resources; and (iv) the estimated material and subcontracting costs. There is no assurance that the actual time and costs would not exceed our estimation during the performance of our projects. The actual time and costs to complete our construction projects may vary substantially from our original estimates due to factors such as (i) shortage or costs escalation of materials or labour during the project period; (ii) unexpected technical problems or adverse weather condition; and (iii) failure of performance by our subcontractors that in turn forces us to incur additional costs in replacing the defaulting subcontractor or carrying out rectification works.

During the years ended 31 March 2020 and 2019, our revenue was generally derived from certified value of works under the contracts which were determined on a fixed-price basis upon the signing of the contract. If we cannot maintain our costs within our original estimations throughout the course of carrying out the contract, or pass on our customers any increases in costs, our business, financial condition and result of operation may be materially and adversely affected.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years, as set out on page 110 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2020 are set out in Note 13 to the Financial Statements.

SHARE CAPITAL

The Company's total issued share capital as at 31 March 2020 was 620,000,000 ordinary Shares of HK\$0.01 per Share. As at the date of this annual report, the share capital of the Company was 620,000,000 ordinary Shares of HK\$0.01 per Share.

Details of movements during the year ended 31 March 2020 in the share capital of the Company are set out in Note 21 to the Financial Statements.

DEBENTURES

The Company did not issue any debenture during the year ended 31 March 2020.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity on page 60 of this annual report.

As at 31 March 2020, the Company has reserves amounted to approximately HK\$254.8 million available for distribution (2019: approximately HK\$146.7 million).

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2020, the Company's reserves available for distribution to the Shareholders are approximately HK\$254.8 million (2019: approximately HK\$146.7 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

DONATION

The Group's charitable and other donations during the year ended 31 March 2020 amounted to approximately HK\$8,000 (2019: Nil).

No donation was made to political parties during the year ended 31 March 2020.

DIRECTORS

The Directors who held office from the Listing Date to up to the date of this annual report are:

Executive Directors

Ms. Tang Wing Kwok (*Chairman*)

Mr. Lo Wing Hang (*Vice Chairman and Chief Executive Officer*)

Independent non-executive Directors

Mr. Yeung Tze Long

Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai) (Resigned on 31 January 2020)

Mr. Cheung Ting Kin

Mr. Chan Pui Hang Ian (Appointed on 31 January 2020)

DIRECTORS' SERVICE CONTRACT

Save for Mr. Chan Pui Hang Ian, each of the existing Directors has entered into a contract for appointment with the Company for an initial term of two years commencing from the Listing Date of the Company, unless terminated by not less than one month's notice in writing served by either party on the other. As for Mr. Chan Pui Hang Ian, he has entered into a contract for appointment with the Company for an initial term of one year, which may also be terminated by either party by written notice of one month.

Save as disclosed above, none of the Directors, including those to be re-elected at the forth coming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

MANAGEMENT CONTRACTS

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

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31 March 2020, the interest and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code, notified to the Company and the Stock Exchange were as follow:

(i) Long position in the Shares

| Name of Director | Capacity/Nature of Interest | Number of Shares held/interested | Percentage of shareholding |
|-----------------------------|------------------------------------|----------------------------------|----------------------------|
| Mr. Tang Wing Kwok (Note 1) | Interest in controlled corporation | 465,000,000 | 75% |
| Mr. Lo Wing Hang (Note 2) | Interest in controlled corporation | 465,000,000 | 75% |

Notes:

1. These 465,000,000 Shares are held by Sky Winner Holdings Limited. Mr. Tang Wing Kwok beneficially owns 69.48% of the entire issued share capital of Sky Winner Holdings Limited, which in turn beneficially owns 52.11% shareholding in the Company. Therefore, Mr. Tang Wing Kwok is deemed, or taken to be, interested in all our Shares held by Sky Winner Holdings Limited for the purpose of the SFO. Mr. Tang Wing Kwok is the chairman, an executive Director and the chairman of the nomination committee of the Company. Mr. Tang Wing Kwok is also a director of Sky Winner Holdings Limited.
2. These 465,000,000 Shares are held by Sky Winner Holdings Limited. Mr. Lo Wing Hang beneficially owns 30.52% of the entire issued share capital of Sky Winner Holdings Limited, which in turn beneficially owns 22.89% shareholding in the Company. Therefore, Mr. Lo Wing Hang is deemed, or taken to be, interested in all our Shares held by Sky Winner Holdings Limited for the purpose of the SFO. Mr. Lo Wing Hang is the vice-chairman, the chief executive officer, an executive Director and a member of the remuneration committee of the Company. Mr. Lo Wing Hang is also a director of Sky Winner Holdings Limited.

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

| Name of Director | Name of associated corporation | Capacity/Nature | Number of shares held | Percentage of shareholding |
|--------------------|--------------------------------|------------------|-----------------------|----------------------------|
| Mr. Tang Wing Kwok | Sky Winner Holdings Limited | Beneficial owner | 6,948 | 69.48% |
| Mr. Lo Wing Hang | Sky Winner Holdings Limited | Beneficial owner | 3,052 | 30.52% |

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES (continued)

Substantial shareholders' interests and short positions in Shares and underlying Shares

As at 31 March 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to the Section 336 of the SFO, or which would be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

| Name of Shareholder | Capacity/Nature of interest | Number of Shares held/interested in | Percentage of shareholding |
|-------------------------------------|-----------------------------|-------------------------------------|----------------------------|
| Sky Winner Holdings Limited | Beneficial interest | 465,000,000 | 75% |
| Ms. Lam Ah Yee (Note 1) | Spouse interest | 465,000,000 | 75% |
| Ms. Chan Wai Ching Rebecca (Note 2) | Spouse interest | 465,000,000 | 75% |

Notes:

1. Ms. Lam Ah Yee is the spouse of Mr. Tang Wing Kwok. Accordingly, Ms. Lam Ah Yee is deemed, or taken to be interested in all 465,000,000 Shares in which Mr. Tang Wing Kwok is interested for the purpose of the SFO.
2. Ms. Chan Wai Ching Rebecca is the spouse of Mr. Lo Wing Hang. Accordingly, Ms. Chan Wai Ching Rebecca is deemed, or taken to be interested in all 465,000,000 Shares in which Mr. Lo Wing Hang is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any person or corporation (other than the Directors and the chief executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executive's interest in securities" above and the paragraph headed "Share Option Scheme" below, at no time from the Listing Date to 31 March 2020 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the company, its holdings company, or/and any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights by means of the acquisition of Shares in or debentures of the Company of any other body corporate.

Directors' Report

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended 31 March 2020, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Save as disclosed under the "Related Party Transactions" in Note 26 to the Financial Statements, there were no transaction, arrangement or contract of significance, to which the company any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director of any entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 31 March 2020 or any time during the year ended 31 March 2020, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

Pursuant to articles of association of the Company, every Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has maintained appropriate directors' and officers' liability insurance in respect of legal actions against them arising out of corporate activities and such permitted indemnity provision for the benefit of the Directors currently in force.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2020, the aggregate purchase attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 17.6% and 52.5% (2019: approximately 13.8% and 45.6%) respectively of the Group's total purchases for the year ended 31 March 2020. Revenue attributable to the Group's largest customers and the five largest customers in aggregate accounted for approximately 40.8% and 94.5% (2019: approximately 41.2% and 94.1%) respectively of the Group's total revenue for the year ended 31 March 2020.

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued shares capital of the Company) had an interest in the Group's five largest suppliers or customers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Employees

The Group considers its employees the key to sustainable business growth and also recognises its employees as its valuable assets. Further, in light of the shortage of skilled labour in the local construction industry, it is crucial to maintain a competitive remuneration package and fringe benefits for our potential and existing employees. In this regard, the Group provides comprehensive remuneration package includes salary, discretionary bonuses and other cash subsidies to attract, motivate and retain appropriate and suitable employees to serve the Group. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. The Group also provides on-the-job training and development opportunities to enhance its employees' career development and learning.

Directors' Report

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS (continued)

Customers

The Group are aware of the risk of customer concentration, and sought to reduce the reliance on major customer by undertaking more sizable projects for other customers. A summary of the customer concentration of the Group and the list of the Group's major customers were set out in the section headed "Business — Customer concentration" and "Business — Our major customers" of the Prospectus, respectively.

The Group believes that, we have maintained a close relationship with our major customers and It is also our priority to work with reputable customers, which in turn tend to undertake sizeable projects. Working with these customers can allow us to secure future business opportunities with them and bolster our job reference.

Besides that, the Group has no intention to limit ourselves to serve our major customers and, with our presence in the industry, the Group believes that we are able to extend our services to other customers.

As such, the Group is of the view that, despite the customer concentration, our business model is sustainable.

Suppliers and subcontractors

The Group has developed stable and strong working relationships with suppliers and subcontractors to meet the Group's customers' needs in an effective and efficient manner. The Group works closely with the suppliers and sub-contractors to make sure the tendering, procurement and sub-contracting are conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to them before the commencement of projects.

ENVIRONMENTAL POLICIES

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws of Hong Kong. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Waste Disposal (Charges for Disposal of Construction Waste) Regulation.

In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015 since November 2003 (for Ka Shun Civil Engineering Company Limited) and since September 2012 (for Ka Shun Contractors Limited), respectively. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal. During the year ended 31 March 2020, we did not incur any material costs on environmental compliance.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2020, as far as the Board and the management are aware, there was no material breach of the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available and with the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed minimum public float under the Listing Rules from the Listing Date to up to the date of this annual report.

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

The Shares have been listed on the Main Board of the Stock Exchange on the Listing Date. No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries from the Listing Date to up to the date of this annual report.

NON-COMPETITION UNDERTAKING

In order to avoid any possible competition between our Group and our controlling shareholders, each of Mr. Tang Wing Kwok, Mr. Lo Wing Hang and Sky Winner Holdings Limited as controlling shareholders entered into a deed of non-competition with our Company (for itself and as trustee for subsidiaries of our Group) on 4 April 2019. Pursuant to the deed of non-competition, each of the controlling shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, as long as the deed on non-competition remains effective, he/it shall not, and shall procure his or its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether on its own account or with each other or in conjunction with or on behalf of any person or company or otherwise, the development, participation, management and operation of any existing business which in competition with or likely to be in competition, whether directly or indirectly, with the existing business activity of any member of our Group or such other business activity our Group may engage from time to time in future.

The controlling shareholders have confirmed to the Company of their compliance with the deed of non-competition dated 4 April 2019 for disclosure in this annual report from 4 April 2019 to 31 March 2020 as well as up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the deed of non-competition given by the controlling shareholders. The independent non-executive Directors were not aware of any non-compliance of the deed of non-competition from 4 April 2019 to 31 March 2020 as well as up to the date of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 March 2020 and up to the date of this annual report, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business by the Group are set out in Note 26 to the Financial Statements, and none of which constitutes a discloseable connected transaction as defined under the Listing rules.

Directors' Report

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2020, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries and associated companies apart from the corporate reorganisation in relation to the Listing as disclosed in the Prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 4 April 2019, the Company adopted a share option scheme (the "**Share Option Scheme**") with effect from 4 April 2019. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarized in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company, to attract and retain best available personnel, to provide additional incentive to employees (full time or part time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which option granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders.

Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the 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 Shares.

The Share Option Scheme will remain in force for a period of ten years commencing on the date of the adoption (i.e. 4 April 2019) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless otherwise terminated earlier by the Shareholders in general meeting.

No share options had been granted under the Share Option Scheme since the adoption of the Scheme. During the period between the adoption date of the Share Option Scheme and the date of this annual report, no share option has been granted, exercised, cancelled or lapsed. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 62,000,000, representing 10% of the entire issued share capital of the Company.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements were entered into for the year ended 31 March 2020.

Directors' Report

BORROWINGS

There are no borrowings of the Group as at 31 March 2020 and 31 March 2019.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new Share on a pro-rata basis to the existing shareholders of the Company.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 24 to the Financial Statements.

REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in the Note 11 to the Financial Statements.

The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments from the Listing Date to up to the date of this annual report.

EMOLUMENT POLICY

Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Scheme".

Details of the emoluments of the Directors and five highest paid individuals are set out in Note 11 to the Financial Statements respectively. Details of the remuneration of senior management by band are set out in Note 11 to the Financial Statements. Details of the retirement benefit scheme are set out in Note 24 to the Financial Statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 28 to 37 of this annual report.

DISCLOSURES UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

As at 31 March 2020, the Group had no circumstances which would give rise to a disclosure obligation under Rule 13.20 to 13.22 of the Listing Rules.

Directors' Report

AUDIT COMMITTEE

The Company established the audit committee on 4 April 2019 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the CG code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, namely, Mr. Yeung Tze Long, Mr. Cheung Ting Kin and Mr. Chan Pui Hang Ian. Mr. Yeung Tze Long currently serves as the Chairman of the audit committee.

The Audit Committee had reviewed, together with the management and the Company's auditors Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2020.

The Group's audited consolidated financial statements for the year ended 31 March 2020 have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

AUDITORS

Deloitte Touche Tohmatsu has acted as the auditors of the Group for the year ended 31 March 2020. The Financial Statements have been audited by Deloitte Touche Tohmatsu, who shall retire in the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for their re-appointment as auditors for the coming year will be proposed at the forthcoming annual general meeting. There is no change in auditors since the Listing Date.

By order of the Board

TANG Wing Kwok

Chairman and Executive Director

Hong Kong, 29 June 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company is committed in achieving a high standard of corporate governance standard. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (the “**Shareholders**”), enhance its corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). As the Shares were not listed on the Main Board of the Stock Exchange until 30 April 2019, the CG Code provisions were not applicable to the Company before the Listing Date. To the best of the knowledge of the Board, the Company has complied with the CG code from the Listing Date to up to 31 March 2020. The Directors will periodically review on the Company’s corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the code provisions from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors’ securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code from the Listing Date to up to 31 March 2020.

BOARD OF DIRECTORS

Board Composition

As at 31 March 2020, the Board consists of five Directors including Mr. Tang Wing Kwok (Chairman) and Mr. Lo Wing Hang (Vice Chairman and Chief executive officer) as the executive Directors and Mr. Yeung Tze Long, Mr. Chan Pui Hang Ian and Mr. Cheung Ting Kin as the independent non-executive Directors.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. Biographical details are set out in the section headed “Biographical details of Directors and Senior Management” on pages 11 to 15 of this annual report.

Save that Mr. Lo Wing Hang is the father of Mr. Lo Wai Man (a member of our senior management), there are no financial, business, family, or other material relationship among members of the Board.

The Board meets regularly to discuss and formulate the overall strategy as well as operation and financial performance of the Group. The company secretary of the Company (the “**Company Secretary**”) assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly, and regular board meetings should be held at least four times per year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Board Composition (continued)

The attendance record of each Director at the Board and the committee meetings held and resolutions resolved after the Listing Date and up to 31 March 2020 is set out in the table below:

| Name of Director | Board | Attendance/Number of Meetings | | | |
|--|-------|-------------------------------|-----------------|----------------------|------------------------|
| | | Annual General Meeting | Audit Committee | Nomination Committee | Remuneration Committee |
| Mr. Tang Wing Kwok | 6/6 | 1/1 | N/A | 3/3 | N/A |
| Mr. Lo Wing Hang | 6/6 | 1/1 | N/A | N/A | 3/3 |
| Mr. Yeung Tze Long | 6/6 | 1/1 | 2/2 | N/A | 3/3 |
| Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai) | 4/4 | 1/1 | 2/2 | 1/1 | 1/1 |
| Mr. Chan Pui Hang Ian | 1/1 | 0/0 | 0/0 | 1/1 | 1/1 |
| Mr. Cheung Ting Kin | 6/6 | 1/1 | 2/2 | 3/3 | N/A |

From the Listing Date to up to 31 March 2020, the Board has at all times met the requirements of rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has three independent non-executive Directors and all of the three independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

The three independent non-executive Directors represent more than half of the Board, the proportion of which is higher than what is required by Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of shareholders.

Each of the executive and independent non-executive Directors has signed an appointment contract with the Company which is subject to termination provisions therein and provisions on retirement by rotation and re-election of Directors as set out in the amended and restated memorandum and articles of association of the Company (the "**Restated Articles**").

The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Responsibilities of the Directors

The Board takes the responsibility collectively to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") (together, the "**Board Committees**").

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations, and are invited to serve on the Audit Committee, the Nomination Committee and the Remuneration Committee.

The Board has delegated to the management, consisting of executive Directors along with other senior executives, with the responsibilities for implementing the strategy and direction adopted by the Board from time to time and conducting the day-to-day management and operations of the Group.

The Board has delegated to the Board Committees responsibilities as set out in their respective terms of references. Further details of the Board Committees are set out in the sections headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 4 April 2019 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talent, skill, regional and industry experience, background, gender and other qualities.

When identifying potential candidates to the Board of Directors, the Nomination Committee and the Board of Directors will, among others, (i) consider the current level of representation of women on the Board and the senior management when making recommendations for nominees as well as succession planning to the Board of Directors and senior management; (ii) consider the criteria that promotes diversity by references to the code of practices on employment published by the Equal Opportunities Commission from time to time; (iii) communicate the Board Diversity Policy to the Nomination Committee and encourage a cooperative approach to ensure diversity on the Board.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy annually to ensure its continued effectiveness.

Corporate Governance Report

NOMINATION POLICY

The Board has adopted a nomination policy (the “**Nomination Policy**”) on 4 April 2019 which sets out the criteria and process in the nomination and appointment of directors of the Company, aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and to ensure the Board’s continuity and appropriate leadership. The Nomination Committee shall identify candidates who are qualified/suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The selection of candidates will be based on a range of selection criteria as set out in the Nomination Policy, including but not limited to, character and integrity, qualification, potential contributions the candidate can bring to the Board in terms of qualifications, skill, experience, independence and gender diversity, the candidate’s willingness and ability to devote adequate time to discharge duties as a member of the Board.

For the appointment of directors, the Nomination Committee will first identify individual(s) suitably qualified to become Board members and assesses the independence of the proposed independent non-executive director(s). Then, the Nomination Committee will make recommendation to the Board for the Board to consider, having regard to the Board Diversity Policy and the Nomination Policy. The Board will confirm the appointment of the suitable candidate or recommend the candidate to stand for election at a general meeting of the Company. The candidate(s) who is/are appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by shareholders of the Company at the next annual general meeting after initial appointment in accordance with the Restated Articles.

For the re-appointment of directors, the Nomination Committee will also consider the retiring directors based on the Board Diversity Policy and the Nomination Policy, and assess their independence before the Nomination Committee makes recommendation to the Board to consider. After the Board considers each retiring director, the Board will recommend the suitable retiring director(s) to stand for re-election at the annual general meeting in accordance with the Restated Articles. The Shareholders will approve the re-election of directors at the annual general meeting.

The Nomination Committee shall review the structure, size, composition (including skills, knowledge, experience and length of service) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

Corporate Governance Report

DIVIDEND POLICY

The Company has set up a dividend policy (the “**Dividend Policy**”) on 4 April 2019 with an aim to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

- (a) the Company’s operating results, actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the level of the Group’s debts to equity ratio, return on equity and the relevant financial covenants;
- (d) any restrictions on payment of dividends that may be imposed by the Group’s lenders;
- (e) the Group’s expected working capital requirements, capital expenditure requirements and future expansion plans;
- (f) the Group’s liquidity position;
- (g) general economic conditions, business cycle of the Group’s business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- (h) any other factors that the Board may deem appropriate and relevant.

The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rules and regulations and the Restated Articles. The declaration and payment of future dividend under the Dividend Policy are subject to the Board’s determination that the same would be in the best interests of the Group and the Shareholders of the Company as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

During the year ended 31 March 2020, each Directors had participated in continuous professional training by attending seminars/workshops or by reading materials to update and refresh his skill and knowledge necessary for the performance of his duty. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

Corporate Governance Report

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 4 April 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to, among other things, (i) make recommendations to the Board on the appointment, reappointment and removal of external auditors; (ii) review and monitor the external auditors' independence and objectivity; (iii) review the effectiveness of the Company's internal audit activities, internal controls and risk management systems; (iv) develop and implement policy on engaging external auditor to supply non-audit services, and to review and monitor the extent of the non-audit works undertaken by external auditors; and (v) monitor the integrity of the financial statements and the annual report and accounts and half-year report and to review significant financial reporting judgments contained in them.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yeung Tze Long, Mr. Chan Pui Hang Ian and Mr. Cheung Ting Kin. Mr. Yeung Tze Long currently serves as the chairman of the Audit Committee.

The Audit Committee convened two meetings during the year ended 31 March 2020.

The Audit Committee performed the following works during the year ended 31 March 2020:

- (a) reviewed the Group's annual audited financial statements for the year ended 31 March 2019 and unaudited interim financial statements for the six month ended 30 September 2019;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;
- (c) reviewed the Group's internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the external auditors of the Group, and the terms of engagement.

The Company's annual results for the year ended 31 March 2020 have been reviewed by the Audit Committee.

There had been no disagreement between the Board and the Audit Committee.

Corporate Governance Report

BOARD COMMITTEES (continued)

Remuneration Committee

The Company established the Remuneration Committee on 4 April 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to, among other things, (i) make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) make recommendation to the Board on the remuneration of independent non-executive Directors; (iii) review and make recommendations to our Board on other remuneration-related matters, including benefits-in-kinds and their compensation payable to our Directors and senior management; (iv) review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration; and (v) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries.

The Remuneration Committee consists of three members, namely Mr. Lo Wing Hang, Mr. Yeung Tze Long and Mr. Chan Pui Hang Ian. Mr. Yeung Tze Long currently serves as the chairman of the Remuneration Committee.

The remuneration of the Directors and senior management is determined with reference to the responsibilities, workload, the time devoted and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his/her own remuneration.

The Remuneration Committee convened three meetings during the year ended 31 March 2020 for reviewing and approving the remuneration package of Mr. Chan Pui Hang Ian as an independent non-executive Director, the remuneration package of Ms. Chik Wai Chun as the Company Secretary as well as reviewing the remuneration packages of the executive Directors and independent non-executive Directors and the performance of them since the Listing of the Company.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 March 2020 are as follows:

| | Number of employee(s) |
|------------------------------|-----------------------|
| Not exceeding HKD1,000,000 | – |
| HKD1,000,001 to HKD2,000,000 | 2 |
| HKD2,000,001 to HKD3,000,000 | 1 |

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in Note 11 to the consolidated financial statements.

Corporate Governance Report

BOARD COMMITTEES (continued)

Nomination Committee

The Company established the Nomination Committee on 4 April 2019 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to, among other things, (i) review the structure, size, composition and diversity of our Board on a regular basis; (ii) identify individual suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; (iv) make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) make recommendations to our Board regarding candidates to fill vacancies on our Board and/or senior management.

The Nomination Committee consists of three members, namely Mr. Tang Wing Kwok, Mr. Chan Pui Hang Ian and Mr. Cheung Ting Kin. Mr. Tang Wing Kwok currently serves as the chairman of the Nomination Committee.

The Nomination Committee convened three meetings during the year ended 31 March 2020 for reviewing and approving the resignation and appointment of independent non-executive Director and the Company Secretary, reviewing the independence of the independent non-executive Directors, considering the qualifications of the retiring directors standing for election at the annual general meeting of the Company, reviewing the structure, size, and composition of the Board and reviewing the Board Diversity Policy and the Nomination Policy.

The Nomination Committee considered that the non-executive directors are independent and the aforesaid policies have been maintained up to 31 March 2020.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

As at 31 March 2020, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

DIRECTORS' AND AUDITORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2020 in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The statements of the independent auditor of the Group about their reporting responsibilities on the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" on pages 53 to 57 of this annual report.

Corporate Governance Report

EXTERNAL AUDITOR'S REMUNERATION

For the year ended 31 March 2020, the remunerations paid or payable to the external auditors, Deloitte Touche Tohmatsu in respect of its audit services are approximately HK\$1.1 million. There is no remuneration for non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the Shareholders' interest and conducts a review on an ongoing basis. 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 Board conducted review of the effectiveness of the risk management and internal control systems of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee.

The Group currently has no internal audit function and the Board reviewed that it is more cost effective to engage an external independent consultant instead of recruiting a team of internal audit staff to perform such annual review function. During the year ended 31 March 2020, LIF Consultants Limited (the "**Consultant**") was engaged to review the effectiveness of the risk management and internal control system. The Consultant worked closely with the Group to identify risk components and risk owners in different aspects through interviews with and workshops provided to the Group's management. Also, the Consultant assisted the Group to evaluate the adequacy of the existing mitigation plans. In addition, an independent review was conducted by the Consultant under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework ("**COSO**") to identify weaknesses and enhance the effectiveness and efficiency of the internal control system of the Group. Last but not least, findings and recommendations resulting from the review were reported to and discussed with the Audit Committee and the Board, and the Consultant concluded that no significant area of concern that may affect the financial, operational, compliance control and risk management of the Group has been identified.

The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk managements and internal control systems were in place and effective.

COMPANY SECRETARY

The Company has appointed Ms. Chik Wai Chun, who is an employee of the Company, as its company secretary with effect from 1 February 2020. Ms. Chik has confirmed that for the year ended 31 March 2020, she has taken no less than 15 hours of relevant professional training. The biography of Ms. Chik is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

INSIDE INFORMATION POLICY

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

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and potential investors is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company has adopted the shareholders' communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and potential investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website of www.bnd-strategic.com.hk; where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information of the Group including annual and interim reports, announcements and other corporate communications which will be sent to Shareholders and/or published are updated on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website in a timely fashion.

The forthcoming annual general meeting of the Company will be held on Tuesday, 8 September 2020. The notice of the annual general meeting, setting out details of each proposed resolutions, voting procedures and other relevant information, will be sent to shareholders at least 21 days before the annual general meeting.

SHAREHOLDERS' RIGHTS

Pursuant to article 64 of the Restated Articles, an extraordinary general meeting shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the 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.

There are no provisions in the Restated Articles or the Cayman Islands Company Law for Shareholders to move new resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedure for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

ENQUIRIES TO THE BOARD

Shareholders may send their enquiries or requests to the Board through the Company's principal place of business in Hong Kong at Units 2803–2803A, Asia Trade Centre, No. 79 Lei Muk Road, Kwai Chung, New Territories (email: info@bnd-strategic.com.hk).

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents from the Listing Date to up to 31 March 2020. The Restated Articles is available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

INTRODUCTION

B & D Strategic Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is a construction contractor principally engaged in providing (i) alteration and addition works; and (ii) civil engineering works, solely in Hong Kong.

The Group strives to operate and develop its business in a sustainable manner with the aims to reduce impact to the environment resulted from its construction works and create values to the community, its people and other stakeholders. With the above objective in mind, the Group established policies in various aspects including, but not limited to, environment, human resources, occupational health and safety and quality control, to govern the required operational standards and to ensure compliance with all relevant laws and regulations. The policies will be reviewed and updated annually to cope with any changes in technology, law and regulation and politics.

This is the second Environmental, Social and Governance Report (the “**ESG Report**”) of the Group, which demonstrates to both internal and external stakeholders its efforts on sustainability developments. The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange. The ESG Report discloses the Group’s performance and initiatives implemented regarding environmental, social and governance (“**ESG**”) issues and relevant key performance indicators (“**KPIs**”) for the period from 1 April 2019 to 31 March 2020. The reporting scope covers its business operation in Ka Construction Company Limited, Ka Shun Civil Engineering Company Limited and Ka Shun Contractors Limited which are located in Hong Kong.

Stakeholder Engagement

The Group communicates to stakeholders continuously to understand stakeholders’ expectations, interest and information needs, in assessing the materiality on each aspect of the ESG issues as listed out in the Guide. Below sets forth the channels used for communication with respective stakeholders.

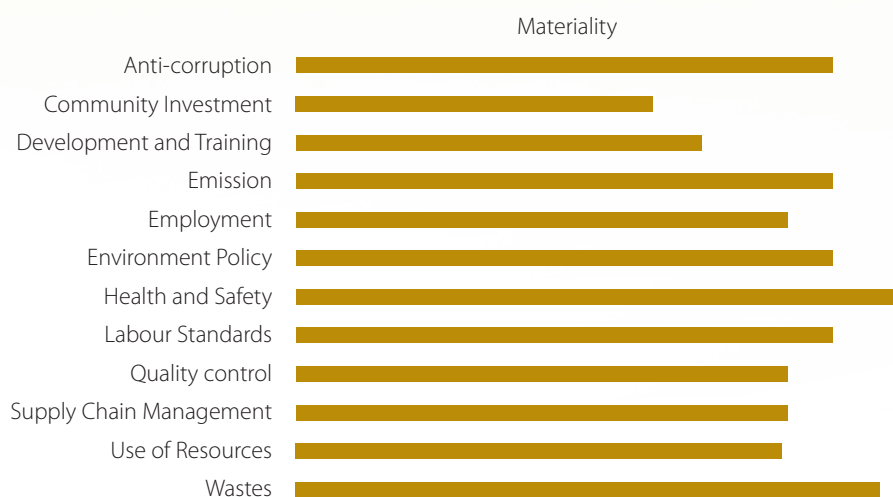
| Group | Key Stakeholders | Engagement Channels |
|---|--|---|
| Funding and capital | <ul style="list-style-type: none"> Investors Shareholders Lenders | <ul style="list-style-type: none"> Annual general meetings Annual and interim reports Announcements and circulars Corporate website |
| License for operation | <ul style="list-style-type: none"> Government departments Regulators | <ul style="list-style-type: none"> Application procedures Working meetings Written responses |
| Our services | <ul style="list-style-type: none"> Employers Main contractors | <ul style="list-style-type: none"> Customer satisfaction surveys Project meetings and engagements |
| Building materials, services, equipment | <ul style="list-style-type: none"> Suppliers Subcontractors | <ul style="list-style-type: none"> Project meetings and engagements Supplier performance evaluations Site inspection |
| Operate our business | <ul style="list-style-type: none"> Employees | <ul style="list-style-type: none"> Annual appraisal Employee feedback channels Management meetings |

Environmental, Social and Governance Report

Materiality Assessment

The Group undertakes materiality assessment both internally and externally. An internal materiality assessment is performed by the management of the Group to assess the relevance of each ESG components and KPIs to its business and filter out topics that are obviously not relevant or immaterial to the Group. With the shortlisted scope, the Group then conducts external materiality assessment through multiple discussions and communications with our key stakeholders identified in the “Stakeholder Engagement” section.

The Group weights the opinions and perspectives obtained both internally and externally in arriving our final list of material ESG issues. The result from the materiality assessment is presented below.



Feedback

We value your opinion and feedback on our ESG report, and we would like to hear from you on how we could further improve our performance. Readers are welcome to share valuable views and opinion with the Group at info@bnd-strategic.com.hk.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION

The Group is committed to continually improve its environmental performance and, ultimately, to minimise and prevent any environmental impacts from its operations, activities, products, and services. The Group identifies materials, processes, products and wastes that cause or may cause pollution, and implements measures to avoid, reduce or control pollution where technically and economically viable. To achieve this objective, the Group has established an integrated management system which includes measures and work procedures governing the standard of works of its employees and subcontractors in environment aspect. The environmental management system in two of its subsidiaries have been certified to be in accordance with the requirements of the ISO 14001 standards since 2003 and 2012 respectively.

Our construction works are subject to certain environment requirements pursuant to the laws in Hong Kong. Certain laws and regulations that have a significant impact on the Group includes Air Pollution Control Ordinance (Chapter 311R of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong). During the year ended 31 March 2020, we did not record any non-compliance that resulted in prosecution, conviction or penalty being brought against us in relation to environment aspects. The potential impacts to the Group and measures to ensure compliance with such laws and regulations will be discussed in turn below.

Emissions

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants. The Air Pollution Control Ordinance provides that the owner of any premises, which includes a contractor who has possession of a site for the purpose of construction work shall use best practicable means for preventing the emission of noxious or offensive emissions from such premises.

Private cars, lorry cranes and non-road mobile machineries (including hydraulic excavators and breakers) are the major combustion sources which generate air pollutants resulted from our daily transportation, waste disposal cycles and construction works. The Group believes that maintaining good conditions of vehicles and machineries are important to the efficient performance of works, workplace safety and environment protection. As such, the Group regularly hires third party companies to carry out inspection, repair and maintenance works to maintain its vehicles and machineries in good condition.

Starting from 1 June 2015, a subsidiary regulation, Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation ("**NRMM Regulation**"), came into effect to introduce regulatory control on the emission of non-road mobile machinery ("**NRMMs**"). The NRMMs are required to comply with the prescribed emission standards. Furthermore, starting from 1 December 2015, all regulated machines to be used in specified activities and locations in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department ("**EPD**"). These regulations certainly have significant impacts to the Group as it possesses its own machinery to perform different types of civil engineering works. During the year, the Group acquired six excavators which meet the NRMM Regulation's standard. As at 31 March 2020, 17 of the Group's owned regulated machines are all either exempted or approved with label in EPD's prescribed format.

Save as the above, the Group also generates indirect emissions from the consumption of resources, including energy, water and paper. The spirit to mitigate such emissions is to optimize the usage of resources which will be discussed under the section headed "Use of Resources" in this ESG Report.

Environmental, Social and Governance Report

The Group does not consume any gaseous fuel in its business operation. Below sets out the KPIs for air emission and Greenhouse Gas (“GHG”) emissions in CO₂e for the year ended 31 March 2020 and 2019.

| Air Emission Data | Notes | Unit | 2020 | 2019 |
|---|-------|--------|------------------|--------|
| Vehicle Emissions | | | | |
| NOx Emissions | 1 | g | 87,316.43 | – |
| SOx Emissions | | g | 366.09 | 688.01 |
| PM Emissions | 1 | g | 7,074.31 | – |
| GHG Emission Data | Notes | Unit | 2020 | 2019 |
| Scope 1 — Direct Emissions | | | | |
| Mobile combustion sources | | tonnes | 68.06 | 168.89 |
| Scope 2 — “Energy Indirect” Emissions | | | | |
| Electricity purchased | 2 | tonnes | 11.75 | 89.36 |
| Scope 3 — Other Indirect Emissions | | | | |
| Paper waste disposed at landfills | | tonnes | 9.10 | 13.12 |
| Electricity used for processing fresh water and sewage by government department | 3 | tonnes | 0.49 | 1.00 |
| Business air travel by employees | | tonnes | 8.32 | 19.81 |

Notes:

- Comparative data for NOx and PM is not available as the Group had not started to collect data for kilometers travelled by vehicles. The kilometers travelled by vehicles for 2020 excluded vehicles disposed during the year.
- For electricity purchased from CLP, the emission factor (0.500 kg/kWh) is available from CLP’s Sustainability Report 2019.
- For water supplied from Water Supplies Department, the unit electricity consumption (0.606 kg/m³) is available from Water Supplies Department’s Annual Report 2018/19.

During the course of the Group’s operation, its employees often require travelling between site offices and construction sites. As a result, relevant emissions generated from vehicles are largely depends on the distance of the two locations. As the site offices are relatively near to the construction sites as compare to the projects undertook last year, the usage of motor vehicle had been significantly decreased. In additions, the Group also abandoned several petrol vehicles, and introduced electric vehicles for travelling between construction sites.

Environmental, Social and Governance Report

Waste

The Waste Disposal Ordinance is the principal legislation in Hong Kong which controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. A person shall not use any land or premises for the disposal of waste unless he has a licence from the Director of the EPD. The Group understands that disposing waste in random location is an offence and may cause inconvenience and danger to the community. The Group is committed to ensure that wastes are legally disposed to proper reception facilities or landfill. As such, the Group, when acts as a main contractor, will always obtain waste disposal permit from EPD upon contract awarded.

Concrete, mud, rebar and wood are the major type of waste resulting from its site formation, demolition, foundation and superstructure works ("**Construction Works**"). In order to reduce the waste generated, the Group tries to recycle wastes generated from its Construction Works. For example, sea mud obtained will be reused for back filling. Any excess will be utilised across construction sites or transported to public fill reception facilities. To facilitate a proper disposal management, wastes sorting is carried out on site to separate re-usable and recyclable materials, hazardous waste and non-hazardous wastes. External disposal team will then collect the wastes from time to time and deliver them to relevant reception facilities or landfill. During the year ended 31 March 2020, approximately 10,521.10 tonnes of non-hazardous wastes and nil hazardous wastes were generated from its Construction Works.

| Non-Hazardous Waste | | Unit | 2020 | 2019 |
|----------------------------------|----------------|------|-----------------|----------|
| Facility | | | | |
| Landfill | tonnes | | 2,107.20 | 1,908.80 |
| Public fill reception facilities | tonnes | | 8,137.20 | 4,620.10 |
| Sorting facilities | tonnes | | 276.70 | 894.90 |
| Segment | | | | |
| Alteration and addition works | tonnes | | 3,191.60 | 4,970.50 |
| Civil Engineering works | tonnes | | 7,329.56 | 2,453.30 |
| Intensity | | | | |
| Alteration and addition works | tonnes/project | | 638.32 | 994.10 |
| Civil Engineering works | tonnes/project | | 3,664.75 | 1,226.65 |

The significant increase of non-hazardous wastes was mainly due to the commencement of a large-scale project during the year. Approximately 69% of the total non-hazardous wastes were generated from the foundation works of such project.

Environmental, Social and Governance Report

Use of Resources

The Group is aware of the challenge that Hong Kong faces against climate change and understands that saving resources is one critical mean to reduce carbon footprint. The major direct energy consumption sources from the Construction works include use of electric equipment and lighting. The Group makes great effort to improve and develop the way to build in a resource efficient manner. The design and development team carefully reviews the specified requirements from its clients, and accurately measures and estimates the inputs and design, and continuously redesign, the working process to seek resource saving and synergy wherever viable.

On the other hand, the Group regularly investigates water leakage and employs high pressure and low volume sprayer for cleaning sites and machines to avoid unnecessary water consumption. During the year ended 31 March 2020, the Group has no issue in sourcing water that is fit for purpose. Moreover, in connection to effluent discharge, the Group has obtained licences from EPD to discharge industrial trade effluent from construction sites as required under the Water Pollution Control Ordinance.

In additions, the Group advocates several resource saving initiatives in its daily operation and construction sites as below:

- Employ energy-efficient electric appliance and equipment.
- Encourage double-sided printing.
- Encourage electronic documentation and communication.
- Maintain air-conditioning at an average temperature of 25 degrees Celsius.
- Switch off lights, air-conditioners and computers when they are not in use.

Use of packaging materials is not relevant to the Group's businesses. Below sets out the KPIs for energy and water consumption.

Environmental, Social and Governance Report

| Energy Consumption | | Unit | 2020 | 2019 |
|----------------------|--|-------------------------|------------------|------------|
| Office and warehouse | | kWh | 21,631.00 | 24,741.00 |
| Projects | | kWh | 1,864.00 | 150,483.00 |
| Intensity | | kWh/project | 621.33 | 37,620.75 |
| Water Consumption | | Unit | 2020 | 2019 |
| Office and warehouse | | m ³ | 10.00 | 74.00 |
| Projects | | m ³ | 569.00 | 1,158.00 |
| Intensity | | m ³ /project | 284.50 | 579.00 |

The usage of energy and water largely depends on the site location. In comparison to the current year projects, most the Group's works were carried out indoor (e.g. shopping mall) in previous year. As a result, the Group required more lighting in the daytime, and has used more water to avoid dust pollution.

The Environment and Natural Resources

Save as the above sections, the Group's business activities, including dredging, breaking and piling, will also create significant impact to the environment regarding dust pollution and noise pollution. In relation to these pollutions, the Group adopts numerous measures to minimise such impact including but not limited to the following:

- Enclose dust screens or sheeting to the structure being demolished.
- Install hoarding with acceptable height.
- Install extra acoustic enclosures for high noise intensity construction processes.
- Spray water on working surface.
- Spray water to dusty materials prior to any loading, unloading or transfer operation and covered entirely by impervious sheeting.
- Wash to remove any dusty materials from vehicles before leaving a construction site.

In addition, to comply with relevant regulations, the Group has given notices to the public officer about Construction works proposed to be carried out under Air Pollution Control (Construction Dust) Regulation. The Group has obtained construction noise permits in advance for construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, from the EPD.

Environmental, Social and Governance Report

SOCIAL — EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group believes its employees are valuable assets to its business and is crucial to maintain a good relationship with them. With this regard, the Group continuously reviews its Human Resources (“HR”) management system to ensure a fair and safe working environment is provided to its employees.

When establishing the HR management system, the Group pay care attention to ensure that it complies with relevant labour laws. They include 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), Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) and Immigration Ordinance (Chapter 583 of the Laws of Hong Kong).

To ensure employees aware of the employment terms and HR policies of the Group, it enters into separate labour contract with individual employees in accordance with applicable labour law in Hong Kong, which stipulates, among others, working hours, leaves entitlement, salary and other benefits and welfare. In addition, it’s employee handbook stipulates the house rules to be followed by employees. It also includes a list of misconduct that may lead to dismissal.

The Group upholds the beliefs in equality and anti-discrimination in its recruitment, appraisal and remuneration system. Standard interview and evaluation criteria are established to ensure that promotion opportunities and salary adjustments are only determined based on employee’s qualification, experience and performance, and will not be affected by any grounds that are irrelevant, such as age, gender, marital status, family status, race, skin colour, nationality, religion, political affiliation and other factors.

As at 31 March 2020, the following table set out breakdowns of the Group’s employees by gender and employment category.

| | 2020 | 2019 |
|---|------|------|
| Number of employees by gender | | |
| Male | 42 | 70 |
| Female | 18 | 19 |
| Number of employees by employment type | | |
| Directors and senior management | 10 | 7 |
| Middle management | 21 | 29 |
| Entry level | 29 | 53 |
| Number of employees by age group | | |
| 30 or below | 9 | 14 |
| 31 to 50 | 30 | 52 |
| 51 or above | 21 | 23 |
| Number of employees by geographical region | | |
| Hong Kong | 42 | 85 |
| China | 18 | 4 |

Environmental, Social and Governance Report

Health and Safety

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) is the principal legislation in Hong Kong which provides for the safety and health protection to employees in workplace. In addition, the Group is subject to regulation under Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong). The subsidiary regulations includes, among others, the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), Factories and Industrial Undertakings (Lifting Appliance and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) and Factories and Industrial Undertakings (Protection of Eyes) Regulations (Chapter 59S of the Laws of Hong Kong).

The Group places emphasis on occupational health and work safety and provides safety trainings to our staffs covering various topics. Due to the nature of business of the Group, risks of accidents or injuries are inherent. As such, the Group has established a safety management system, which has been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards, to provide its employees and subcontractors' employees with a safe and healthy working environment.

In practice, the Group prepares a safety plan for each project, which is conveyed to its employees and subcontractors before commencement of works. The purpose of the safety plan is to assess and identify risks associated with the works and environments of each project; and formulate appropriate measures and works procedures for implementation. In addition, the Group engages registered safety auditors for the purpose of conducting safety audits on our safety management system on a semi-annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations.

During the year ended 31 March 2020, the Group had 1 work-related injury (including employees of subcontractors) and resulted in 120 lost days due to work injury. The work-related injury did not have a material adverse effect on our results of operation or financial conditions as it was covered by insurance pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong).

Development and Training

To improve its employees' technical competence and work efficiency, the Group provides various training to our employees. Training policy is developed to govern the contents of training to be provided. The Group provides various training to different working levels, including internal trainings organise by the HR department and external trainings arrange by external professional parties. Besides, to avoid accident cause by unprofessional practice or improper behaviour of subcontractor, safety trainings are also provided to sub-contractor. To assess the effectiveness of the training programme, the Group regularly review it and apply necessary modification to the programme to meet the Group's development goal. Seasonal training plan is also maintained to ensure that trainings are deployed regularly and effectively.

During the year ended 31 March 2020, the Group provided various training sessions to its employees and employees of the subcontractors in different aspects, including personal and site safety, emergency procedure and accidents reporting, tools, machine and equipment operation, technical works safety etc. The average training hours is approximately one hour per employee (including employees of subcontractors).

Labour Standards

Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) and Employment of Young Persons (Industry) Regulations (Chapter 57C of the Laws of Hong Kong) are the major legislation which stipulates the prohibition of employment of children and young persons. Subject to the nature of the business, it is the Group's policy to restrict hiring of any person under 18 years of age, and any kind of forced labour. With this regard, the Group requires HR personnel to perform adequate background check on job applicants, including verification of identity and age, to ensure candidates are physically and conditionally to be legally hired. Employees are also welcomed to report any doubts and difficulties encountered to the direct supervisor or management.

Environmental, Social and Governance Report

SOCIAL — OPERATING PRACTICES

Supply Chain Management

The Group realises the importance of supply chain management as it is a common practice to join hands with supplier and sub-contractors in construction industry. Therefore, the Group attaches great importance to the supplier and subcontractor's engagement process.

In general, the Group evaluates its suppliers and subcontractors based on their job reference, technical submission, skills and technique, prevailing market price and reputation. The selected new suppliers and subcontractors will be recorded in an internal approved list with details of materials or services provided which will be reviewed and updated continuously.

The Group also performs periodic evaluation of the supplier's and subcontractor's performance regarding prices performance, timeliness of delivery, order fulfilment and quality. Poor performance identified will be requested for corrective actions. If no improvements have been made in the future of 12 months, the suppliers and subcontractors will be delisted. An approved supplier and subcontractor are valid for a maximum of 3 years before having to re-compete, if the suppliers and subcontractors remain in good standing.

As at 31 March 2020, the Group had over 660 suppliers and subcontractors located in Hong Kong, which provided it with flexibility to engage alternative suppliers and subcontractors of different materials and service.

Product Responsibility

The Group believes a robust quality control system is the key to success. To ensure compliance with our customers' specifications and requirements, quality management system was set up with clear procedures of management system planning, support operation and performance evaluation. The quality management system was accredited to be in conformity with the requirements of the ISO 9001 standards.

During project execution, the Group's project team will carry out inspection and supervision, and examine the quality according to a planned audit schedule, which includes the following:

- Matters arising from the previous audit, including discharge of non-conformities.
- Quality system documentation.
- Communications, filing and document control.
- Design control (including input, output, change and verification procedures).
- Construction and installation control (including inspection, testing and material inventory control procedures).
- Feedback, complaints and corrective action.
- Support services including software, purchasing, deliverables, and information systems.
- Staff training including understanding of the project quality plan.
- The use of statistical analysis.

For projects in which the Group act as main contractor, the works will also be examined and certified by a third-party consulting company nominated by its customers.

Environmental, Social and Governance Report

Anti-corruptions

The Group requires all staff to maintain a high-level ethical practice. Any form of corruption, bribes and fraud is strictly prohibited by the Group.

Code of conducts are stated clearly in employee handbook of the Group which prompt employee's awareness when one comes across with sensitive information and situations in the course of business. The Group requires its employee to think ethically before accepting any benefits from outsiders and declares any incidents that may constitute conflict of interest.

Whistleblowing policy has also been established to allow its employee to report any misconduct or malpractice events observed. The employee or those who deal with the Group are welcomed to raise concerns, in confidence, to the Audit Committee about possible improprieties in any matter related to the Group.

During the year ended 31 March 2020, the Group was not aware of any case of non-compliance with the laws and regulations that have a significant impact on the Group in relation to corruption, bribes or fraud.

SOCIAL — COMMUNITY

Community Investment

The Group is always aware of the needs of the community and will try its best to contribute to the community by participating and sponsoring community activities.

In addition, the Group encourages and supports staff to participate in volunteer services at leisure times. Meanwhile, the Group is ready to work with other business stakeholders which are committed to be a good corporate citizen by contributing to the community through charity and social services.

Environmental, Social and Governance Report

ESG INDEX

| ENVIRONMENTAL | | Section Reference |
|------------------------------------|--|---|
| Aspect A1: Emissions | | |
| General Disclosure | Information on: <ul style="list-style-type: none"> a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | <ul style="list-style-type: none"> • Environmental Protection |
| KPI A1.1 | The types of emissions and respective emissions data. | <ul style="list-style-type: none"> • Emissions |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | <ul style="list-style-type: none"> • Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | <ul style="list-style-type: none"> • Waste |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | <ul style="list-style-type: none"> • Waste |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | <ul style="list-style-type: none"> • Emissions |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | <ul style="list-style-type: none"> • Waste |
| Aspect A2: Use of Resources | | |
| General Disclosure | Information on: <ul style="list-style-type: none"> • Policies on the efficient use of resources, including energy, water and other raw materials. | <ul style="list-style-type: none"> • Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility). | <ul style="list-style-type: none"> • Use of Resources |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | <ul style="list-style-type: none"> • Use of Resources |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | <ul style="list-style-type: none"> • Use of Resources |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | <ul style="list-style-type: none"> • Use of Resources |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | <ul style="list-style-type: none"> • Not relevant to the Group |

Environmental, Social and Governance Report

| ENVIRONMENTAL | | Section Reference |
|---|--|---|
| Aspect A3: The Environment and Natural Resources | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | • The Environment and Natural Resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | • Environmental Protection |
| SOCIAL | | Section Reference |
| Aspect B1: Employment | | |
| General Disclosure | Information on: <ul style="list-style-type: none"> a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | • Employment |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | • Employment |
| Aspect B2: Health and Safety | | |
| General Disclosure | Information on: <ul style="list-style-type: none"> a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | • Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities. | • Health and Safety |
| KPI B2.2 | Lost days due to work injury. | • Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | • Health and Safety |
| Aspect B3: Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | • Development and Training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | • Development and Training |

Environmental, Social and Governance Report

| SOCIAL | | Section Reference |
|---|--|---------------------------|
| Aspect B4: Labour Standards | | |
| General Disclosure | Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forces labour. | • Labour Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | • Labour Standards |
| Aspect B5: Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | • Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | • Supply Chain Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | • Supply Chain Management |
| Aspect B6: Product Responsibility | | |
| General Disclosure | Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising labelling and privacy matters relating to products and services provided and methods of redress. | • Product Responsibility |
| KPI B6.4 | Description of quality assurance process and recall procedures. | • Product Responsibility |

Environmental, Social and Governance Report

| SOCIAL | | Section Reference |
|--|---|--|
| Aspect B7: Anti-corruption | | |
| General Disclosure | Information on: <ul style="list-style-type: none"> a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | <ul style="list-style-type: none"> • Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | <ul style="list-style-type: none"> • Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | <ul style="list-style-type: none"> • Anti-corruption |
| Aspect B8: Community Investment | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | <ul style="list-style-type: none"> • Community Investment |

Independent Auditor's Report

Deloitte.

德勤

TO THE MEMBERS OF

B & D STRATEGIC HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of B & D Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 109 which comprise the consolidated statement of financial position of the Group as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to 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 statement of financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") 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.

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit 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 their significance to the Group's consolidated financial statements and the involvement of subjective judgment 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 set out in notes 15 and 16 to the consolidated financial statements, the Group's trade receivables and contract assets amounting to HK\$15,640,000 and HK\$120,950,000, which represented approximately 5% and 37% of total assets of the Group as at 31 March 2020, respectively.

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

- Understanding key controls on how the management of the Group estimates the loss allowance for trade receivables and contract assets;
- Testing the integrity of information used by the management of the Group for impairment assessment, including the ageing analysis of trade receivables and past due history of debtors as at 31 March 2020, on a sample basis, by comparing individual items in the analysis with the relevant construction agreements, certificates issued by architects, surveyors or other representatives appointed by the customers, settlement records of debtors and other supporting documents;
- Challenging management's basis and judgment in determining credit loss allowance on trade receivables and contract assets as at 31 March 2020 and the basis of estimated loss rates applied on each debtor in the impairment assessment with reference to historical default rates and forward-looking information; and

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|------------------|--|
|------------------|--|

Impairment assessment of trade receivables and contract assets (continued)

As disclosed in notes 4 and 30 to the consolidated financial statements, the management of the Group performs impairment assessment on individual debtors basis to estimate the amount of lifetime ECL of trade receivables and contract assets individually based on internal credit ratings, ageing, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. As disclosed in note 30 to the consolidated financial statements, no impairment in respect of trade receivables and contract assets was recognised as at 31 March 2020 and for the year then ended.

- Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in the consolidated financial statements.

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.

Independent Auditor's Report

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 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

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

- 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.

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 the independent auditor's report is K. W. Yim.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|--|-------|------------------|------------------|
| Revenue | 5, 6 | 441,853 | 300,926 |
| Direct costs | | (390,702) | (230,707) |
| Gross profit | | 51,151 | 70,219 |
| Other income | 7 | 1,745 | 41 |
| Other gains | 7 | 485 | 84 |
| Listing expenses | | – | (17,518) |
| Administrative expenses | | (16,970) | (9,699) |
| Finance costs | | (3) | – |
| Profit before tax | 9 | 36,408 | 43,127 |
| Income tax expense | 8 | (5,544) | (9,733) |
| Profit and total comprehensive income for the year | | 30,864 | 33,394 |
| Earnings per share | | | |
| — Basic (HK cents) | 12 | 5.08 | 7.18 |

Consolidated Statement of Financial Position

At 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 13 | 14,693 | 4,063 |
| Right-of-use assets | 14 | 54 | – |
| Other receivable | 15 | 6,696 | – |
| | | 21,443 | 4,063 |
| Current assets | | | |
| Trade and other receivables, deposits and prepayments | 15 | 20,670 | 34,247 |
| Contract assets | 16 | 120,950 | 76,095 |
| Tax recoverable | | 788 | – |
| Pledged bank deposits | 17 | 16,963 | 21,263 |
| Bank balances and cash | 17 | 150,120 | 61,121 |
| | | 309,491 | 192,726 |
| Current liabilities | | | |
| Trade, retention and other payables | 18 | 68,321 | 43,095 |
| Contract liabilities | 16 | – | 3,028 |
| Lease liabilities | 19 | 53 | – |
| Tax liabilities | | 14 | 3,559 |
| | | 68,388 | 49,682 |
| Net current assets | | | |
| | | 241,103 | 143,044 |
| Total assets less current liabilities | | | |
| | | 262,546 | 147,107 |
| Capital and reserves | | | |
| Share capital | 21 | 6,200 | – * |
| Reserves | | 254,812 | 146,702 |
| Equity attributable to owners of the Company | | | |
| | | 261,012 | 146,702 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 20 | 1,534 | 405 |
| | | 262,546 | 147,107 |

* Amount less than HK\$1,000

The consolidated financial statements on pages 58 to 109 were approved and authorised for issue by the Board of Directors on 29 June 2020 and are signed on its behalf by:

Tang Wing Kwok
DIRECTOR

Lo Wing Hang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserve HK\$'000 (Note) | Retained profits HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|-------------------------------------|------------------------------|-------------------|
| Balance at 1 April 2018 | 390 | – | 16,875 | 96,043 | 113,308 |
| Profit and total comprehensive income for the year | – | – | – | 33,394 | 33,394 |
| Issue of ordinary share of the Company on date of incorporation (Note 21) | –* | – | – | – | –* |
| Issue of ordinary shares of the Company for the Reorganisation (Note 21) | (390) | 2,326 | (1,936) | – | – |
| Balance at 31 March 2019 | –* | 2,326 | 14,939 | 129,437 | 146,702 |
| Profit and total comprehensive income for the year | – | – | – | 30,864 | 30,864 |
| Dividends recognised as distribution (Note 10) | – | – | – | (30,000) | (30,000) |
| Issue of ordinary shares of the Company pursuant to the Share Offer (Note 21) | 1,550 | 128,650 | – | – | 130,200 |
| Share issue expenses | – | (16,754) | – | – | (16,754) |
| Capitalisation Issue (Note 21) | 4,650 | (4,650) | – | – | – |
| Balance at 31 March 2020 | 6,200 | 109,572 | 14,939 | 130,301 | 261,012 |

* Amounts less than HK\$1,000

Note: Other reserve mainly represents (i) the excess of the assets acquired and liabilities recognised over the cash consideration arising from acquisitions of 100% of shareholding of Ka Shun Civil Engineering Company Limited ("Ka Shun Civil Engineering") and 60% of shareholding of Ka Shun Contractors Limited ("Ka Shun Contractors") on 27 October 2015; (ii) the differences between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid arising from acquisitions of a total of additional 49% of shareholding of Ka Construction Company Limited ("Ka Construction") and additional 40% of shareholding of Ka Shun Contractors during the years ended 31 March 2016 and 2017; and (iii) the difference between the share capital and share premium of the Company issued, and the share capital of Joy Goal Limited ("Joy Goal") exchanged pursuant to the Reorganisation (as defined and detailed in note 21). Ka Shun Civil Engineering, Ka Shun Contractors, Ka Construction and Joy Goal are wholly-owned subsidiaries of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before tax | 36,408 | 43,127 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 4,638 | 2,612 |
| Depreciation of right-of-use assets | 68 | – |
| Gain on disposal of property, plant and equipment, net | (208) | (10) |
| Interest income | (1,745) | (41) |
| Finance costs | 3 | – |
| Operating cash flows before movements in working capital | 39,164 | 45,688 |
| Decrease in trade and other receivables, deposits, prepayments | 8,540 | 21,897 |
| (Increase) decrease in contract assets | (44,855) | 4,792 |
| Increase (decrease) in trade, retention and other payables | 27,021 | (27,696) |
| (Decrease) increase in contract liabilities | (3,028) | 3,028 |
| Cash generated from operations | 26,842 | 47,709 |
| Hong Kong Profits Tax paid | (8,748) | (12,639) |
| NET CASH FROM OPERATING ACTIVITIES | 18,094 | 35,070 |
| INVESTING ACTIVITIES | | |
| Advance to a related party | – | (4,510) |
| Repayment from a related party | – | 4,510 |
| Placement of pledged bank deposits | (16,874) | (14,600) |
| Withdrawal of pledged bank deposits | 21,263 | – |
| Payment for deposit for a performance bond | (6,636) | – |
| Proceeds from disposal of property, plant and equipment | 208 | 69 |
| Purchases of property, plant and equipment | (15,268) | (936) |
| Interest received | 1,596 | 41 |
| NET CASH USED IN INVESTING ACTIVITIES | (15,711) | (15,426) |

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| FINANCING ACTIVITIES | | |
| Issue costs paid | (13,512) | (3,242) |
| Proceeds from issue of new shares | 130,200 | – |
| Interest paid | (3) | – |
| Repayments of lease liabilities | (69) | – |
| Dividends paid | (30,000) | – |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 86,616 | (3,242) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 88,999 | 16,402 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 61,121 | 44,719 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | |
| Represented by bank balances and cash | 150,120 | 61,121 |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL INFORMATION

B & D Strategic Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 April 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effective from 30 April 2019. Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Room 2803-2803A, Asia Trade Centre, 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The businesses of the Company and its subsidiaries (collectively referred to as the “Group”) are mainly conducted through three major operating subsidiaries, namely, (i) Ka Shun Civil Engineering, (ii) Ka Shun Contractors; and (iii) Ka Construction, and are principally involved in provision of services on alteration and addition works (including alteration and addition of building layout and structural works that comprising design of new structural works, fitting-out works changes in facilities configuration, construction of a new extension to existing buildings, conversion of an existing buildings, conversion of an existing building to different type, etc.) and civil engineering works in Hong Kong.

The ultimate controlling party of the Group is Mr. TANG Wing Kwok (“Mr. Tang”). In the opinion of the directors of the Company, the immediate and ultimate holding company of the Group is Sky Winner Holdings Limited (“Sky Winner”), a company incorporated in the British Virgin Islands (“BVI”).

The consolidated financial statements is presented in Hong Kong Dollar (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

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

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

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

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

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

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 that are mandatorily effective for the current year (continued)

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.

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 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 expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review; and
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for the lease of warehouse previously classified as operating leases, the Group has applied incremental borrowing rate of 3.5% at the date of initial application.

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 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 for own use as at 1 April 2019 comprises the following:

| | HK\$'000 |
|---|----------|
| Operating lease commitments disclosed as at 31 March 2019 | 465 |
| Lease liabilities discounted at relevant incremental borrowing rates | 458 |
| Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application | (336) |
| Lease liabilities relating to operating leases recognised upon application of HKFRS 16 | 122 |
| Analysed as: | |
| Current | 69 |
| Non-current | 53 |
| Lease liabilities as at 1 April 2019 | 122 |

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

| | HK\$'000 |
|--|----------|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | 122 |
| By class: | |
| A warehouse | 122 |

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 that are mandatorily effective for the current year (continued)

HKFRS 16 “Leases” (continued)

As a lessee (continued)

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

| | Note | Carrying amounts previously reported at 31 March 2019 HK\$'000 | Adjustments HK\$'000 | Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000 |
|--------------------------------|------|--|-------------------------|--|
| Non-current assets | | | | |
| Right-of-use assets | | – | 122 | 122 |
| Current liabilities | | | | |
| Lease liabilities | (a) | – | (69) | (69) |
| Non-current liabilities | | | | |
| Lease liabilities | (a) | – | (53) | (53) |

(a) As at 1 April 2019, current lease liabilities and non-current lease liabilities of HK\$69,000 and HK\$53,000 were recognised respectively.

New and amendments to HKFRSs in issue but not yet effective

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

| | |
|--|--|
| HKFRS 17 | Insurance Contracts ¹ |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions ⁶ |
| 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 |
| 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.

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 (continued)

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

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis.

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 these 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 within the scope of HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of 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 in line with the Group's accounting policies.

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

Revenue from contracts with customers

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

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

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

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- (c) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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.

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

Output method

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

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 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 buildings and plant and machinery 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 over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (Continued)

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

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 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 increment borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

Lease liabilities (continued)

The lease payments include:

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

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

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

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

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

Lease modifications

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 modifications (continued)

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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Short-term employee benefits

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

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

Retirement benefits costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accumulated impairment losses, if any.

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

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.

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

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

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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 the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost.

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 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 item subject to impairment assessment under HKFRS 9

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

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

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 item subject to impairment assessment under HKFRS 9 (continued)

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually.

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

(i) Significant increase in credit risk

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

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

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

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 item subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

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

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.

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the counterparty;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

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 item subject to impairment assessment under HKFRS 9 (continued)

(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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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

Financial liabilities (including trade, retention and other payables) 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.

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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of trade receivables and contract assets

The management of the Group performs impairment assessment on individual debtor basis to estimate the amount of ECL of trade receivables and contract assets based on internal credit ratings, ageing, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the internal credit rating and 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. The information about the ECL is disclosed in note 30.

As at 31 March 2020, the carrying amounts of trade receivables and contract assets were HK\$15,640,000 (2019: HK\$20,551,000) and HK\$120,950,000 (2019: HK\$76,095,000), respectively. No impairment in respect of trade receivables and contract assets was made as at 31 March 2020 (2019: Nil).

Revenue recognition of construction works

The management of the Group reviews and revises the estimate of contract revenue, variations in contract works and claims yet certified by architects, surveyors or other representatives appointed by the customers for each construction contract as the contract progresses based on the historical payments from similar revenue/claims and the recent discussion with the customers and their representatives.

Recognised amounts of contract revenue/claims and related contract assets reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates including the works performed and amount of contract sum. The actual outcomes in terms of the revenue/claims and contract assets may be higher or lower than the amounts estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Revenue of the Group represents the fair value of amounts received and receivable from the provision of services on alteration and addition works and civil engineering works in Hong Kong (all being recognised over time under long-term contracts in Hong Kong) during the year.

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Contract revenue from provision of services on alteration and addition works | 174,788 | 215,568 |
| Contract revenue from provision of services on civil engineering works | 267,065 | 85,358 |
| | 441,853 | 300,926 |

Included in the Group's revenue during the year is contract revenue of HK\$14,651,000 (2019: HK\$87,410,000) derived from provision of services on alteration and addition works to customers in public sector. Other revenue is derived from provision of services on alteration and addition works and civil engineering works to customers in private sector.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

Revenue from provision of services on alteration and addition works and civil engineering works under long-term contracts with customers is mainly derived from fixed-price contracts with customers, such as landlords, construction companies and contractors in Hong Kong. Such contracts are entered into before the services begin. Under the terms of contracts, the Group is contractually required to perform alteration and addition works and civil engineering works at the customers' specified sites that the Group's performance creates or enhances an asset that the customers control as the Group performs.

Revenue from provision of services on alteration and addition works and civil engineering works is therefore recognised over time using output method, i.e. based on surveys of alteration and addition works and civil engineering works 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 works completed by the Group that best depicts the Group's performance in transferring control of services.

These construction contracts normally require payments be measured and made on monthly basis and certain construction contracts require customers to make upfront payments before construction commence, and it gives rise to the contract liabilities until revenue recognised on the specific contract exceeds the amount of such upfront payments. According to the relevant construction contracts with the customers, the Group is required to provide repairs to fix up quality problems, if any, during the defect liability period as specified in the construction contracts.

A contract asset is recognised over the period in which the services on alteration and addition works and civil engineering works are performed, representing the Group's right to consideration for the services performed because the rights are conditioned on the relevant certification by architects, surveyors or other representatives appointed by the customers. The contract assets are transferred to trade receivables when the rights become unconditional upon the Group's services certified by architects, surveyors or other representatives appointed by the customers.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. REVENUE (continued)

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

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 each reporting period.

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Provision of services on alternation and addition works | 64,556 | 156,454 |
| Provision of services on civil engineering works | 308,632 | 323,712 |
| | 373,188 | 480,166 |

And, the above are expected to be recognised as revenue in the following years:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Within one year | 266,573 | 408,106 |
| More than one year but not more than two years | 106,615 | 72,060 |
| | 373,188 | 480,166 |

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company, in order for CODM to allocate resources and assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reporting and operating segments under HKFRS 8 "Operating Segments" are as follows:

- Alteration and addition works; and
- Civil engineering works.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments.

For the year ended 31 March 2020

| | Alteration and addition works HK\$'000 | Civil engineering works HK\$'000 | Total HK\$'000 |
|------------------------------|---|---|-------------------|
| Segment revenue — external | 174,788 | 267,065 | 441,853 |
| Segment results | 21,706 | 29,445 | 51,151 |
| Other income and other gains | | | 2,230 |
| Administrative expenses | | | (16,970) |
| Finance costs | | | (3) |
| Profit before tax | | | 36,408 |

For the year ended 31 March 2019

| | Alteration and addition works HK\$'000 | Civil engineering works HK\$'000 | Total HK\$'000 |
|------------------------------|---|---|-------------------|
| Segment revenue — external | 215,568 | 85,358 | 300,926 |
| Segment results | 52,164 | 18,055 | 70,219 |
| Other income and other gains | | | 125 |
| Listing expenses | | | (17,518) |
| Administrative expenses | | | (9,699) |
| Profit before tax | | | 43,127 |

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the gross profit earned by each segment without allocation of other income and other gains, listing expenses, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. SEGMENT INFORMATION (continued)

Other segment information

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Amounts included in the measure of segment results: | | |
| Depreciation | | |
| — Provision of services on alteration and addition works | 1,259 | 1,236 |
| — Provision of services on civil engineering works | 3,447 | 1,376 |
| | 4,706 | 2,612 |

Entity-wide information

Geographical information

The Group's operations are located in Hong Kong. The geographical location of the Group's non-current assets (other than financial instruments) is situated in Hong Kong.

All of the Group's revenue from external customers is attributable to the group entities' place of domicile (i.e. Hong Kong).

Information about major customers

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

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Provision of services on alteration and addition works: | | |
| — Customer A | 131,092 | 123,868 |
| — Customer B | * N/A | 87,410 |
| Provision of services on civil engineering works: | | |
| — Customer Group C | * N/A | 46,182 |
| — Customer D | 180,157 | * N/A |
| — Customer E | 83,031 | * N/A |

* The revenue from these customers was less than 10% of the Group's total revenue in the relevant year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. OTHER INCOME AND OTHER GAINS

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Other income: | | |
| Interest income | 1,745 | 41 |
| Other gains: | | |
| Gain on disposal of property, plant and equipment | 208 | 10 |
| Others | 277 | 74 |
| | 485 | 84 |

8. INCOME TAX EXPENSE

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-----------------------------|------------------|------------------|
| Current tax: | | |
| Hong Kong | 4,890 | 9,829 |
| Overprovision in prior year | (475) | – |
| Deferred tax (Note 20) | 1,129 | (96) |
| | 5,544 | 9,733 |

Hong Kong Profit Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the year ended 31 March 2020.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. INCOME TAX EXPENSE (continued)

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

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Profit before tax | 36,408 | 43,127 |
| Tax at applicable statutory tax rate of 16.5% (2019: 16.5%) | 6,007 | 7,116 |
| Tax effect of income not taxable for tax purpose | (288) | (8) |
| Tax effect of expenses not deductible for tax purpose | 465 | 2,790 |
| Tax effect of two-tiered profits tax rates regime | (165) | (165) |
| Overprovision in prior year | (475) | – |
| Income tax expense for the year | 5,544 | 9,733 |

9. PROFIT BEFORE TAX

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Profit before tax has been arrived at after charging: | | |
| Staff costs (including the emoluments of the Company's directors as disclosed in note 11): | | |
| — Salaries and other benefits | 22,660 | 28,208 |
| — Discretionary bonus* | 4,206 | 1,524 |
| — Retirement benefit scheme contributions | 812 | 1,139 |
| | 27,678 | 30,871 |
| Auditor's remuneration | 1,477 | 700 |
| Minimum lease payments under operating leases in respect of: | | |
| — Properties and warehouse | – | 891 |
| — Plant and machinery | – | 1,550 |
| Depreciation of property, plant and equipment | 4,638 | 2,612 |
| Depreciation of right-of-use assets | 68 | – |

* The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

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For the year ended 31 March 2020

10. DIVIDENDS

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Dividends for ordinary shareholders of the Company recognised as distribution during the year: | | |
| — 2020 interim — approximately HK4.84 cents (2019: Nil) per share | 30,000 | – |
| | 30,000 | – |

The directors of the Company do not recommend the payment of a final dividend for ordinary share in respect of the year ended 31 March 2020.

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

Directors' emoluments and chief executive's emoluments

Details of the emoluments paid to the directors of the Company are as follows:

Year ended 31 March 2020

| | Other emoluments | | | | Total HK\$'000 |
|--------------------------------------|------------------|--|------------------------------------|---|-------------------|
| | Fee HK\$'000 | Salaries and other allowance HK\$'000 | Discretionary bonus HK\$'000 | Retirement benefit scheme contributions HK\$'000 | |
| Executive directors: | | | | | |
| Mr. Tang | – | 1,152 | – | 18 | 1,170 |
| Mr. Lo Wing Hang ("Mr. Lo") | – | 1,252 | – | 18 | 1,270 |
| Independent non-executive directors: | | | | | |
| Mr. Yeung Tze Long | 132 | – | – | – | 132 |
| Mr. Yiu Chun Wing (Note (ii)) | 108 | – | – | – | 108 |
| Mr. Cheung Ting Kin | 132 | – | – | – | 132 |
| Mr. Chan Pui Hang Ian (Note (iii)) | 24 | – | – | – | 24 |
| | 396 | 2,404 | – | 36 | 2,836 |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

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

Year ended 31 March 2019

| | Other emoluments | | | | Total HK\$'000 |
|--------------------------------------|------------------|--|------------------------------------|---|-------------------|
| | Fee HK\$'000 | Salaries and other allowance HK\$'000 | Discretionary bonus HK\$'000 | Retirement benefit scheme contributions HK\$'000 | |
| Executive directors: | | | | | |
| Mr. Tang | - | 600 | - | 18 | 618 |
| Mr. Lo | - | 545 | 45 | 18 | 608 |
| Independent non-executive directors: | | | | | |
| Mr. Yeung Tze Long (Note (i)) | - | - | - | - | - |
| Mr. Yiu Chun Wing (Note (i)) | - | - | - | - | - |
| Mr. Cheung Ting Kin (Note (i)) | - | - | - | - | - |
| | - | 1,145 | 45 | 36 | 1,226 |

Notes:

- (i) They were appointed as independent non-executive directors of the Company on 4 April 2019.
- (ii) Mr. Yiu Chun Wing was resigned as an independent non-executive director of the Company on 31 January 2020.
- (iii) Mr. Chan Pui Hang Ian has been appointed as an independent non-executive director of the Company on 31 January 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group whereas the emoluments of the above non-executive directors were paid for their services as directors of the Company. The executive directors are entitled to bonus payments which are determined with reference to individual performance of the relevant directors.

Mr. Tang is the chairman and also assumes the role of chief executive (the "Chief Executive") of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

There was no arrangement under which the directors of the Company or the Chief Executive waived or agreed to waive any emoluments during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

The five highest paid individuals of the Group for the year include 2 (2019: 2) directors of the Company, details of whose emoluments are set out above. Details of the remaining 3 (2019: 3) highest paid individuals are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Salaries and other allowances | 2,404 | 2,182 |
| Discretionary bonus | 2,689 | 158 |
| Retirement benefit scheme contributions | 60 | 54 |
| | 5,153 | 2,394 |

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

The emoluments of the highest paid employees were within the following bands:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--------------------------------|------------------|------------------|
| Nil to HK\$1,000,000 | – | 2 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | 1 |
| HK\$1,500,001 to HK\$2,000,000 | 1 | – |
| HK\$2,000,001 to HK\$2,500,000 | 1 | – |
| | 3 | 3 |

During both years, no emoluments were paid by the Group to any of the directors of the Company, chief executive nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

12. EARNINGS PER SHARE

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

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company) | 30,864 | 33,394 |

| | No. of shares '000 | No. of shares '000 |
|---|-----------------------|-----------------------|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 607,719 | 465,000 |

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 March 2019 has been determined as 465,000,000 ordinary shares, on the assumption that the Reorganisation and the Capitalisation Issue as defined and detailed in note 21 have been effective on 1 April 2018.

No diluted earnings per share is presented for both years as there was no potential ordinary share in issue.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

13. PROPERTY, PLANT AND EQUIPMENT

| | Machinery and equipment HK\$'000 | Furniture and office equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|-----------------------|---|--|-------------------------------|-------------------|
| COST | | | | |
| At 1 April 2018 | 4,672 | 863 | 8,449 | 13,984 |
| Addition | 88 | 93 | 755 | 936 |
| Disposals | (73) | – | (806) | (879) |
| At 31 March 2019 | 4,687 | 956 | 8,398 | 14,041 |
| Addition | 13,892 | 66 | 1,310 | 15,268 |
| Disposals | – | – | (1,076) | (1,076) |
| At 31 March 2020 | 18,579 | 1,022 | 8,632 | 28,233 |
| DEPRECIATION | | | | |
| At 1 April 2018 | 3,829 | 402 | 3,955 | 8,186 |
| Provided for the year | 352 | 187 | 2,073 | 2,612 |
| Disposals | (14) | – | (806) | (820) |
| At 31 March 2019 | 4,167 | 589 | 5,222 | 9,978 |
| Provided for the year | 2,797 | 168 | 1,673 | 4,638 |
| Disposals | – | – | (1,076) | (1,076) |
| At 31 March 2020 | 6,964 | 757 | 5,819 | 13,540 |
| CARRYING VALUES | | | | |
| At 31 March 2020 | 11,615 | 265 | 2,813 | 14,693 |
| At 31 March 2019 | 520 | 367 | 3,176 | 4,063 |

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account their estimated residual values, using the straight-line method, as follows:

| | |
|--------------------------------|-----------|
| Machinery and equipment | 3–5 years |
| Furniture and office equipment | 5 years |
| Motor vehicles | 3–4 years |

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14. RIGHT-OF-USE ASSETS

The tenure of the Group's lease arrangement for renting a warehouse is two years.

The lease arrangement for renting the warehouse usually allows early termination for the Group's giving one-month prior notice after twelve months from the commencement of the lease, otherwise, penalty, equivalent to one-month lease payment, is necessary.

The Group's right-of-use assets in respect of lease arrangement for the warehouse at the end of reporting period are as follows:

| | HK\$'000 |
|---|----------|
| At 1 April 2019 Carrying amount | 122 |
| At 31 March 2020 Carrying amount | 54 |
| For the year ended 31 March 2020 Depreciation charge | 68 |

The above right-of-use assets are depreciated on a straight-line basis based over the remaining lease terms.

The Group's right-of-use assets in respect of the warehouse in Hong Kong used by the Group for storage purpose. The Group regularly entered into short-term leases for offices and other warehouses. As at 31 March 2020, the Group has various short-term leases which were entered into after 1 April 2019, the date of initial application of HKFRS 16, and incurred expenses of HK\$1,241,000 for the year. During the year, the Group had total cash outflows for leases amounting to HK\$1,313,000.

In addition, the Group's lease liabilities of HK\$53,000 are recognised with related right-of-use assets of HK\$54,000 as at 31 March 2020. The lease agreement do not impose any covenants other than a rental deposit that are held by the lessor.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Trade receivables (Note (a)) | 15,640 | 20,551 |
| Advances to sub-contractors and suppliers | 2,492 | 5,512 |
| Prepaid listing expenses and deferred issue costs | – | 5,697 |
| Other receivables (Note (b)) | 7,761 | 970 |
| Prepayments and deposits | 1,473 | 1,517 |
| | 27,366 | 34,247 |
| Less: non-current portion | (6,696) | – |
| Current portion | 20,670 | 34,247 |

Notes:

- (a) As at 1 April 2018, the carrying amount of the Group's trade receivables was HK\$42,695,000.
- (b) Included in the other receivables as at 31 March 2020 is a refundable deposit of HK\$6,696,000 (2019: Nil) paid to an insurance company as collateral for issuing a performance bond of HK\$6,636,000 (2019: Nil) for an ongoing civil engineering project which is expected to be released after 31 March 2021 and is, therefore, classified as a non-current other receivable. Such deposit bears interest at 1.3% per annum. The remaining amount of the other receivables as at 31 March 2019 and 2020 mainly represent advances to injured workers that could be reimbursed from insurance.

Details of the impairment assessment of other receivables as at 31 March 2019 and 2020 are set out in note 30.

Trade receivables

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the directors of the Company regularly.

The Group allows generally a credit period ranging from 30 to 90 days (2019: from 30 to 90 days) to its customers.

The following is an aged analysis of trade receivables presented based on dates of work certified at the end of each reporting period, net of allowance for credit losses.

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------|------------------|------------------|
| 1–30 days | 15,227 | 20,111 |
| 31–60 days | 413 | 440 |
| | 15,640 | 20,551 |

Details of the impairment assessment of trade receivables as at 31 March 2019 and 2020 are set out in note 30.

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16. CONTRACT ASSETS AND LIABILITIES

Contract assets as at 1 April 2018, 31 March 2019 and 31 March 2020 amounting to HK\$80,887,000, HK\$76,095,000 and HK\$120,950,000, respectively, represent the Group's rights to considerations from customers for the provision of services on alteration and addition works and civil engineering works, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months after completion of the relevant works.

The Group's contract assets are analysed as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Provision of services on alteration and addition works | | |
| — Retention receivables | 18,718 | 16,018 |
| — Others | 48,045 | 35,286 |
| Provision of services on civil engineering works | | |
| — Retention receivables | 27,763 | 9,877 |
| — Others | 26,424 | 14,914 |
| | 120,950 | 76,095 |

Changes of contract assets were mainly due to: (1) changes in retention receivables as a result of changes in number of ongoing and completed contracts under the defect liability period; and (2) changes in the size and number of contract works that the relevant services were completed but yet been certified at the end of the reporting period.

The Group's contract assets included retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-----------------|------------------|------------------|
| Within one year | 23,939 | 7,771 |
| After one year | 22,542 | 18,124 |
| | 46,481 | 25,895 |

Details of the impairment assessment of contract assets as at 31 March 2019 and 2020 are set out in note 30.

Contract liabilities of Nil, HK\$3,028,000 and Nil as at 1 April 2018, 31 March 2019 and 31 March 2020, respectively, represent the Group's obligation to transfer alteration and addition works services to customers for which the Group has received advance payments from the customers and the contract liabilities of HK\$3,028,000 as at 31 March 2019 have been recognised as revenue during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

17. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

Included in the Group's pledged bank deposits, bank balances and cash as at 31 March 2020 are bank fixed deposits of HK\$106,414,000 (2019: HK\$20,897,000) which carry interest at prevailing market interest rates ranging from approximately 0.2% to 2.1% (2019: ranging from approximately 0.3% to 0.4%) per annum, the remaining amounts are bank balances carrying interest at prevailing market interest rate at 0.001% (2019: 0.001%) per annum.

As at 31 March 2020 and 2019, the pledged bank deposits were used to guarantee the issue of the performance bonds by a bank in favour of the Group's customers (see note 25).

Details of the impairment assessment of pledged bank balances and bank balances as at 31 March 2019 and 2020 are set out in note 30.

18. TRADE, RETENTION AND OTHER PAYABLES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-----------------------|------------------|------------------|
| Trade payables | 47,600 | 18,428 |
| Retention payables | 13,777 | 10,438 |
| Staff costs payables | 3,827 | 2,752 |
| Accrued issue costs | – | 8,421 |
| Other payables (Note) | 3,117 | 3,056 |
| | 68,321 | 43,095 |

Note: The other payables mainly represent payables in respect of construction industry levy and pneumoconiosis compensation fund board levy, accruals of audit fees and various office expenses.

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

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------|------------------|------------------|
| 1–30 days | 43,096 | 13,167 |
| 31–60 days | 4,504 | 5,261 |
| | 47,600 | 18,428 |

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

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18. TRADE, RETENTION AND OTHER PAYABLES (continued)

The retention payables are to be settled, based on the expiry of maintenance period, at the end of the reporting period as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------------------------|------------------|------------------|
| On demand or within one year | 4,927 | 3,159 |
| After one year | 8,850 | 7,279 |
| | 13,777 | 10,438 |

19. LEASE LIABILITIES

| | 2020 HK\$'000 |
|----------------------------|------------------|
| Lease liabilities payable: | |
| Within one year | 53 |

20. DEFERRED TAXATION

The movements in deferred tax liabilities during both years are as follows:

| | Accelerated depreciation allowance HK\$'000 |
|--------------------------|--|
| At 1 April 2018 | 501 |
| Credit to profit or loss | (96) |
| At 31 March 2019 | 405 |
| Charge to profit or loss | 1,129 |
| At 31 March 2020 | 1,534 |

Notes to the Consolidated Financial Statements

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21. SHARE CAPITAL

Prior to the completion of the group reorganisation on 19 June 2018 (the "Reorganisation") (details of the Reorganisation are set out in the Company's prospectus dated 13 April 2019), the share capital of the Group as at 1 April 2018 represents the issued ordinary share capital of Joy Goal.

As at 31 March 2019 and 2020, the share capital of the Group represents the issued share capital of the Company and details of movements of share capital of the Company are as follows:

| | Number of shares | Share capital HK\$'000 |
|--|----------------------|------------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| As at 24 April 2018 (date of incorporation) and 31 March 2019 (Note (i)) | 38,000,000 | 380 |
| Increase during year (Note (ii)) | 4,962,000,000 | 49,620 |
| As at 31 March 2020 | 5,000,000,000 | 50,000 |
| Issued: | | |
| Issued as at 24 April 2018 (date of incorporation) (Note (i)) | 1 | – * |
| Issued on 19 June 2018 (date of completion of the Reorganisation) (Note (iii)) | 9,999 | – * |
| As at 31 March 2019 and 1 April 2019 | 10,000 | – * |
| Issue of shares pursuant to the Share Offer (Note (iv)) | 155,000,000 | 1,550 |
| Issue of shares pursuant to the Capitalisation Issue (Note (v)) | 464,990,000 | 4,650 |
| As at 31 March 2020 | 620,000,000 | 6,200 |

* Amounts less than HK\$1,000

Notes:

- (i) The Company was incorporated on 24 April 2018 with the initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Sky Winner at a consideration of HK\$0.01 on the same date.
- (ii) On 4 April 2019, written resolutions of the sole shareholder of the Company were passed to approve the increase in authorised ordinary share capital of the Company from HK\$380,000 divided into 38,000,000 ordinary shares of the Company of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares of the Company of HK\$0.01 each by the creation of additional 4,962,000,000 new ordinary shares of the Company of HK\$0.01 each, ranking pari passu in all respects with the ordinary shares of the Company in issue on 4 April 2019.

Notes to the Consolidated Financial Statements

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21. SHARE CAPITAL (continued)

Notes: (continued)

- (iii) On 19 June 2018, Mr. Tang and Mr. Lo (as vendors and warrantors), Sky Winner (as confirmer) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which, (a) Mr. Tang transferred his 34,741 ordinary shares (representing 69.48% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the 1 nil-paid subscriber share of the Company and registered in the name of Sky Winner was credited as fully paid together with the Company issuing and allotting 6,947 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Tang; and (b) Mr. Lo transferred his 15,259 ordinary shares (representing 30.52% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the Company issued and allotted 3,052 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Lo.
- (iv) On 30 April 2019, 155,000,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.84 per share by way of public offer and placing of the Company's ordinary shares (the "Share Offer"). On the same date, the Company's ordinary shares were listed on the Main Board of the Stock Exchange.
- (v) On 30 April 2019, the Company effected the capitalisation of an amount of HK\$4,649,900 standing to the credit of the share premium account of the Company as a result of the Share Offer and to appropriate such amount as to capital to pay up in full, at par, 464,990,000 ordinary shares of the Company of HK\$0.01 each for allotment and issue to the shareholders of the Company on the register of members of the Company at the close of business on 4 April 2019, each ranking pari passu in all respects with the then existing issued ordinary shares of the Company (the "Capitalisation Issue").

22. SHARE OPTION SCHEME

Pursuant to written resolutions passed on 4 April 2019, the Company adopted a share option scheme (the "Share Option Scheme"). The Share Option Scheme is valid for a period of 10 years commencing on 4 April 2019. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, the board of directors of the Company may, at its discretion, grant options to subscribe for ordinary shares of the Company to eligible participants ("Eligible Participants") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the ordinary share capital of the Company in issue from time to time. The total number of ordinary shares which may be allotted and issued upon exercise of all options to be granted under Share Options Scheme and any other share option of the Group must not in aggregate exceed 10% of the ordinary shares in issue as at the date of passing of the relevant resolution adopting the Share Option Scheme.

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22. SHARE OPTION SCHEME (continued)

Share options granted to a director, Chief Executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's ordinary shares at the date of the grant) in excess of HK\$5,000,000, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, save that such period shall not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme.

Unless otherwise determined by the directors of the Company at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's ordinary shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's ordinary shares for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the Company's ordinary shares on the date of the offer.

No option was granted, exercised, cancelled nor lapsed under the Share Option Scheme since its effective date on 4 April 2019 and there was no outstanding share option as at 31 March 2020.

23. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group had made minimum lease payments for the year ended 31 March 2019 in respect of rental of properties, warehouses and plant and machinery. Details of which are set out in note 9.

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

| | HK\$'000 |
|---------------------------------------|-----------|
| Within one year | 408 |
| In the second to fifth year inclusive | 57 |
| | <hr/> 465 |

Leases are negotiated for an average term of one to two years and rentals are fixed throughout the lease periods.

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24. RETIREMENT BENEFIT PLANS

The Group participates in the MPF Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total costs of HK\$812,000 charged to profit or loss represents contributions paid or payable to the above scheme by the Group for the year ended 31 March 2020 (2019: HK\$1,139,000).

25. PERFORMANCE GUARANTEES

As at 31 March 2020, performance bonds of HK\$15,325,000 and HK\$6,636,000 (2019: HK\$17,263,000 and Nil) were given by a bank and an insurance company, respectively, in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the bank and insurance company to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank and insurance company accordingly. The performance guarantees will be released upon completion of the contract works.

As at 31 March 2020, the performance guarantees issued by the bank were granted under the bank facilities of the Group which were secured by the pledged bank deposits as disclosed in note 17 and corporate guarantee given by the Company in favour of the bank (2019: secured by a property held by Mr. Lo and his spouse and personal guarantee given by Mr. Lo) whereas the performance guarantee issued by the insurance company was secured by a deposit of HK\$6,696,000 as disclosed in note 15 (2019: Nil).

26. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions and balances during the year:

- (a) Compensation of key management personnel represents the remuneration of the directors of the Company and senior management of the Group during the year as below:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Short-term benefits | 6,872 | 3,862 |
| Retirement benefit scheme contributions | 115 | 123 |
| | 6,987 | 3,985 |

- (b) During the year ended 31 March 2019, the Group advanced HK\$4,510,000 to Mr. Lo, which was the maximum amount during that year, and such amount was repaid in the same year.

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27. MAJOR NON-CASH TRANSACTION

On 24 April 2018 (date of incorporation), the Company issued capital and allotted one nil-paid ordinary share to the subscriber to its memorandum and articles of association. On 19 June 2018, the Company further issued and allotted 9,999 ordinary shares, all credited as fully paid, to Sky Winner for acquiring the entire share capital of Joy Goal for the completion of the Reorganisation.

28. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2019 and 2020 are set out below:

| Name of subsidiaries | Date and place of incorporation | Fully paid-up capital | Shareholding attributable to the Company at 31 March | | Principal activities |
|---|---------------------------------|-----------------------|--|------|---|
| | | | 2020 | 2019 | |
| <i>Directly held</i> | | | | | |
| Joy Goal 樂高有限公司 | 8 April 2014 BVI | US\$50,000 | 100% | 100% | Investment holding |
| <i>Indirectly held</i> | | | | | |
| Best Century International Holding Ltd. | 9 August 1999 BVI | US\$1 | 100% | 100% | Investment holding |
| Ka Construction 嘉建建築有限公司 | 13 November 1979 Hong Kong | HK\$2,600,000 | 100% | 100% | Civil engineering works |
| Ka Shun Civil Engineering 嘉順土木工程有限公司 | 18 July 1995 Hong Kong | HK\$5,900,000 | 100% | 100% | Alteration and addition works and civil engineering works |
| Ka Shun Contractors 嘉順承造有限公司 | 25 July 2013 Hong Kong | HK\$1,000,000 | 100% | 100% | Alteration and addition works |
| Profit Gather Investment Limited | 30 January 2019 BVI | US\$1 | 100% | 100% | Provision of intra-group administrative services |

None of the subsidiaries had issued any debt securities at the end of both year.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

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29. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes lease liabilities net of pledged bank deposits and bank balances and cash, and equity attributable to owners of the Company, comprising issued share capital, share premium, other reserve, and retained profits.

The Group is not subject to any externally imposed capital requirements.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------------------------------|------------------|------------------|
| Financial assets | | |
| Financial assets at amortised cost | 190,484 | 103,905 |
| Financial liabilities | | |
| Amortised cost | 63,425 | 38,258 |

Financial risk management objectives and policies

The Group's major financial instruments include pledged bank deposits, bank balances and cash, trade and other receivables, trade, retention and other payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group's operations expose it to a number of financial risks: principally the interest rate risk, the credit risk and the liquidity risk. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

Interest rate risk

The Group has minimal exposure to fair value interest rate risk in relation to fixed rate bank deposits and lease liabilities.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk exposure and will consider other necessary actions when significant interest rate risk exposure is anticipated.

No sensitivity analysis has been presented as the management of the Group considers that the cash flow interest rate risk in relation to variable-rate bank balances is not significant.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 March 2020, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the directors of the Company have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each individual trade receivables and contract assets at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. The management of the Group performs impairment assessment on individual debtor basis to estimate the amount of lifetime ECL of trade receivables and contract assets based on internal credit ratings, ageing, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

No impairment in respect of trade receivables and contract assets was recognised as at 31 March 2020 (2019: Nil) and for the year then ended as the lifetime ECL, if any, is insignificant. Details of the quantitative disclosure are set out below in this note.

Other receivables

The management of the Group performs impairment assessment on individual debtor basis to estimate the amount of ECL of other receivables based on internal credit ratings, ageing, repayment history and/or past due status of respective other receivables and adjusted for forward-looking information. There was no significant increase in credit risk of the Group's other receivables that their impairment are assessed based on 12m ECL and no impairment in respect of other receivables was recognised as at 31 March 2020 (2019: Nil) and for the year then ended as the ECL, if any, is insignificant.

Pledged bank deposits and bank balances

The management of the Group assessed that the Group's pledged bank deposits and bank balances are at low credit risk because they are placed with reputable banks with high external credit ratings, and ECL, if any, is insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

30. FINANCIAL INSTRUMENTS (continued) Financial risk management objectives and policies (continued) Credit risk and impairment assessment (continued)

For assessment of the ECL of the Group's financial assets and contract assets, the Group's internal credit risk grading assessment comprises the following categories:

| Internal credit | Description | Trade receivables and contract assets | Other receivables/pledged bank deposits and bank balances |
|-----------------|--|---------------------------------------|---|
| Level 1 | The counterparty has great ability of repayment, low risk of default and has no history of impairment loss. | Lifetime ECL — not credit-impaired | 12m ECL |
| Level 2 | The counterparty has good ability of repayment, which may be influenced by macro environment and economic situation. | Lifetime ECL — not credit-impaired | 12m ECL |
| Level 3 | The counterparty has ability of repayment, but usually settles in full after due date. | Lifetime ECL — not credit-impaired | Lifetime ECL — not credit-impaired |
| Level 4 | The counterparty may not have ability of repayment and is evidenced to be credit-impaired. | Lifetime ECL — credit-impaired | Lifetime ECL — credit-impaired |
| Level 5 | The counterparty has no ability to repay its debts and the receivable is not expected to be collectable. | Amount is written off | Amount is written off |

The table below details the credit risk exposures of the Group's trade and other receivables, contract assets, pledged bank deposits and bank balances as at 31 March 2019 and 2020, which are subject to ECL assessment:

| Items | 12m or lifetime ECL | Internal credit rating | Gross carrying amount as at 31 March | |
|--|---------------------------------------|------------------------|--------------------------------------|------------------|
| | | | 2020 HK\$'000 | 2019 HK\$'000 |
| Financial assets at amortised cost: | | | | |
| Trade receivables | Lifetime ECL (not credit-impaired) | Level 1 | 14,550 | 20,551 |
| | | Level 2 | 1,090 | – |
| Other receivables | 12m ECL (not credit-impaired) | Level 1 | 6,735 | 63 |
| | | Level 2 | 1,026 | 907 |
| Pledged bank deposits and bank balances | 12m ECL (not credit-impaired) | Level 1 | 166,950 | 82,257 |
| Other item: | | | | |
| Contract assets | Lifetime ECL (not credit-impaired) | Level 1 | 62,606 | 57,518 |
| | | Level 2 | 58,344 | 18,577 |

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30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Concentration of credit risk of trade receivables and contract assets

The Group has concentration risk on its major customers (note 6) which accounted for 89.2% (2019: 85.6%) of its revenue for the year ended 31 March 2020. Besides, the Group also has concentration of credit risk because 71.5% (2019: 71.1%) of the total of trade receivables and contract assets as at 31 March 2020 were due from the Group's major customers as set out in note 6. The Group's major customers are reputable companies. The management of the Group closely monitor the subsequent settlement of the customers. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate. Besides, the directors of the Company closely monitor the level of the Group's bank balances and future cash flows and strike for maintaining sufficient bank balances to pay its creditors when due, for working capital of new projects and expansion plan, additional funding through issuing ordinary shares of the Company or borrowings may be sought.

The following tables detail the Group's remaining contractual maturity for its financial liabilities at amortised cost and lease liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

| | Weighted average interest rate % | Less than 6 months and on demand HK\$'000 | 6 months to 1 year HK\$'000 | More than 1 year HK\$'000 | Total Total HK\$'000 | Total undiscounted cash flows HK\$'000 |
|--|---|--|-----------------------------------|---------------------------------|----------------------------|---|
| At 31 March 2020 | | | | | | |
| Trade, retention and other payables | N/A | 53,850 | 725 | 8,850 | 63,425 | 63,425 |
| Lease liabilities | 3.5 | 38 | 19 | – | 57 | 53 |
| At 31 March 2019 | | | | | | |
| Trade, retention and other payables | N/A | 28,939 | 2,040 | 7,279 | 38,258 | 38,258 |

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Notes to the Consolidated Financial Statements

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31. 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 (used in) financing activities.

| | Dividend payable HK\$'000 | Lease liabilities HK\$'000 | Accrued issued costs HK\$'000 | Total HK\$'000 |
|--|---------------------------------|----------------------------------|--|-------------------|
| At 1 April 2018 | – | – | 653 | 653 |
| <i>Financing cash flows:</i> | | | | |
| Issue costs paid | – | – | (3,242) | (3,242) |
| <i>Non-cash changes:</i> | | | | |
| Accrual of issue costs | – | – | 4,384 | 4,384 |
| At 31 March 2019 | – | – | 1,795 | 1,795 |
| Adjustment upon application of HKFRS 16 | – | 122 | – | 122 |
| As at 1 April 2019 (restated) | – | 122 | 1,795 | 1,917 |
| <i>Financing cash flows:</i> | | | | |
| Repayment of lease liabilities | – | (69) | – | (69) |
| Interest on lease liabilities paid | – | (3) | – | (3) |
| Dividends paid | (30,000) | – | – | (30,000) |
| Issue costs paid | – | – | (13,512) | (13,512) |
| <i>Non-cash changes:</i> | | | | |
| Interest expenses | – | 3 | – | 3 |
| Accrual of issue costs | – | – | 11,717 | 11,717 |
| Dividends declared | 30,000 | – | – | 30,000 |
| At 31 March 2020 | – | 53 | – | 53 |

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32. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Non-current assets | | |
| Investment in a subsidiary | 2,326 | 2,326 |
| Due from a subsidiary | 49,850 | – |
| | 52,176 | 2,326 |
| Current assets | | |
| Prepaid listing expenses and deferred issues costs | – | 5,697 |
| Other receivables | 118 | – |
| Bank balances and cash | 65,564 | 2,060 |
| | 65,682 | 7,757 |
| Current liabilities | | |
| Accrued expenses | 1,100 | 9,121 |
| Due to a subsidiary | – | 17,589 |
| | 1,100 | 26,710 |
| Net current assets (liabilities) | 64,582 | (18,953) |
| Total assets less current liabilities | 116,758 | (16,627) |
| Capital and reserves | | |
| Share capital | 6,200 | –* |
| Reserves | 110,558 | (16,627) |
| Total equity (deficit) | 116,758 | (16,627) |

* Amounts less than HK\$1,000

Notes to the Consolidated Financial Statements

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32. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

Movement of the Company's reserves

| | Share premium HK\$'000 | Retained profits/ (Accumulated losses) HK\$'000 | Total HK\$'000 |
|--|------------------------------|--|-------------------|
| On 24 April 2018 (date of incorporation) | – | – | – |
| Issue of ordinary shares of the Company for the Reorganisation (Note 21) | 2,326 | – | 2,326 |
| Loss and total comprehensive expense for the period | – | (18,953) | (18,953) |
| Balance at 31 March 2019 | 2,326 | (18,953) | (16,627) |
| Profit and total comprehensive income for the year | – | 49,939 | 49,939 |
| Dividends recognised as distribution (Note 10) | – | (30,000) | (30,000) |
| Issue of ordinary shares of the Company pursuant to the Share Offer (Note 21) | 128,650 | – | 128,650 |
| Share issue expenses | (16,754) | – | (16,754) |
| Capitalisation Issue (Note 21) | (4,650) | – | (4,650) |
| Balance at 31 March 2020 | 109,572 | 986 | 110,558 |

FINANCIAL SUMMARY

The financial summary of the Group for the last four years is set as follows:

| | For the year ended 31 March | | | |
|--|-----------------------------|------------------|------------------|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| Revenue | 441,853 | 300,926 | 233,723 | 272,585 |
| Direct costs | (390,702) | (230,707) | (181,563) | (205,139) |
| Gross profit | 51,151 | 70,219 | 52,160 | 67,446 |
| Other income, other gains or losses | 2,230 | 125 | 17,063 | 349 |
| Listing expenses | – | (17,518) | (1,500) | – |
| Administrative expenses | (16,970) | (9,699) | (10,134) | (7,342) |
| Finance costs | (3) | – | – | – |
| Profit before tax | 36,408 | 43,127 | 57,589 | 60,453 |
| Income tax expense | (5,544) | (9,733) | (7,316) | (10,126) |
| Profit and total comprehensive income for the year | 30,864 | 33,394 | 50,273 | 50,327 |
| Earnings per share — Basic (HK cents) | 5.08 | 7.18 | 10.81 | 7.12 |

| | As at 31 March | | | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| Assets and Liabilities | | | | |
| Non-current assets | 21,443 | 4,063 | 5,798 | 18,128 |
| Current assets | 309,491 | 192,726 | 184,029 | 206,352 |
| Total assets | 330,934 | 196,789 | 189,827 | 224,480 |
| Non-current liabilities | 1,534 | 405 | 501 | 74 |
| Current liabilities | 68,388 | 49,682 | 76,018 | 95,987 |
| Total liabilities | 69,922 | 50,087 | 76,519 | 96,061 |
| Total equity | 261,012 | 146,702 | 113,308 | 128,419 |

Note: The summary above does not form part of the audited financial statements.