Shun Wo Group Holdings Limited
汛和集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1591

2020
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Yan Hung *(Chairman)*
Mr. Wong Tony Yee Pong *(Chief executive officer)*
Mr. Lai Kwok Fai *(Chief operating officer)*
Mr. Lam Joseph Chok (resigned on 1 September 2019)

Independent Non-Executive Directors

Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

AUDIT COMMITTEE

Mr. Tam Wai Tak Victor *(Chairman)*
Mr. Law Ka Ho
Mr. Leung Wai Lim

REMUNERATION COMMITTEE

Mr. Law Ka Ho *(Chairman)*
Mr. Leung Wai Lim
Mr. Wong Tony Yee Pong

NOMINATION COMMITTEE

Mr. Wong Yan Hung *(Chairman)*
Mr. Law Ka Ho
Mr. Tam Wai Tak Victor

COMPANY SECRETARY

Mr. Chui Gary Wing Yue

AUTHORISED REPRESENTATIVES

Mr. Wong Tony Yee Pong
Mr. Chui Gary Wing Yue

REGISTERED OFFICE

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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Sai Wan Ho Plaza
68 Shaukeiwan Road
Hong Kong

LEGAL ADVISER

David Fong & Co.
Solicitors, Hong Kong
Unit A, 12/F.
China Overseas Building
139 Hennessy Road
Wan Chai
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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL BANK

Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.swgrph.com

STOCK CODE

1591

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Shun Wo Group Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I would like to present to our shareholders the annual report of the Group for the year ended 31 March 2020 (the "**Review Year**").

The Review Year was definitely a difficult and challenging year for the Group. The Group recorded revenue of approximately HK$134.4 million and net loss of approximately HK$33.1 million, representing a decrease of approximately 42.0% and a further loss of approximately 31.5% as compared to the corresponding year ended 31 March 2019, respectively.

The significant decrease in revenue was mainly due to the completion of few sizable projects in early 2019, as well as the continuing weakness and the keen competition in the foundation industry.

Other than the above, the results of the unexpected complexity arising from various construction sites and the postponement of site examination by the government departments due to the health measures of coronavirus disease 2019's pandemic (the "**COVID-19**") have increased the overhead costs of the construction projects, which deteriorated the Group's gross margin. Nevertheless, the Group's financial position remained strong and had no outstanding debts.

Looking ahead, the Group believes that the continuing weakness and the keen competition in the foundation industry still persist and the industry cannot be fully recovered in a short period of time. Despite the current market condition, I am optimistic about the prospects of the Group due to its well established presence, dedicated management, proven ability and a healthy financial position. The Group will continue focusing on its core business and closely monitor the latest development in the foundation industry and adjust its tender pricing policy, in order to prepare for future opportunities, while maximising our shareholders' value.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the management team and staff for their hard work and contributions, and to the shareholders, investors and business partners for their trust and support.

The Board does not recommend the declaration of final dividend for the Review Year.

Wong Yan Hung
Chairman

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group has more than 20 years history in Hong Kong's foundation industry, specialising in excavation and lateral support works, socketed H-piling and mini-piling works and pile caps construction works. Hop Kee Construction Company Limited, the principal operating subsidiary, is registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of "Foundation Works" category since December 2009.

As at 31 March 2020, the Group had a total of 6 ongoing projects (including projects that have commenced but not completed as well as projects that have been awarded but not yet commenced) and the original contract sum of these projects are approximately HK$152.8 million.

Subsequent to 31 March 2020, three more new projects were awarded to the Group.

Due to the challenging business operating environment of the foundation industry, the Group reported a net loss of HK$33.1 million during the Review Year. This compares with a net loss of HK$25.1 million for the year ended 31 March 2019. In addition, the increasing number of competitors seeking for tender projects and the reduced number of foundation contracts from the market resulted in the keen competition were further exacerbated.

It is generally believed that the overall business environment of the foundation industry will continue to slow down in coming years. Thus, the Group has continued to adopt a more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin.

Looking forward, despite the temporary economic fluctuation caused by the COVID-19 at the beginning of the year, the Group will continue to strengthen its market position, enhance the Group's competitive strengths and remain positive for the Government to boost housing supply significantly in the next decade, as well as foster infrastructure development plans in the long term.

FINANCIAL REVIEW

Revenue

For the Review Year, the revenue of the Group has decreased by approximately HK$97.1 million, or approximately 42.0% compared to the corresponding year ended 31 March 2019, from approximately HK$231.5 million to approximately HK$134.4 million. The decrease in revenue was mainly because of the completion of few sizable projects in early 2019.

Gross loss

For the Review Year, the Group reported gross loss of approximately HK$6.1 million compared to gross loss of approximately HK$4.3 million to the corresponding year ended 31 March 2019. The result of gross loss were due to (i) the Group has adopted a more competitive tender pricing policy in order to secure new contracts; (ii) additional construction costs incurred in dealing with some unexpected complexity arising from various construction sites; and (iii) increase in labour cost and overhead costs, due to the delay in certain projects caused by the COVID-19's preventive health measures taken since early 2020.

Other income, other gains and losses

For the Review Year, other income, other gains and losses has increased by approximately HK$0.4 million or approximately 60.8% compared to the corresponding year ended 31 March 2019, from approximately HK$0.7 million to approximately HK$1.1 million. The increase was primarily due to the increase in bank interest income.

Change in fair value of financial assets at fair value through profit or loss

For the Review Year, the Group reported change in fair value of financial assets at fair value through profit or loss of approximately HK$2.5 million. This was primarily due to the fair value loss on overseas listed investment (2019: Nil).

Administrative and other operating expenses

For the Review Year, the administrative and other operating expenses have decreased by approximately HK$0.4 million or approximately 1.7% compared to the corresponding year ended 31 March 2019, from approximately HK$22.5 million to approximately HK$22.1 million. The slightly decrease was mainly due to the tighten control of cost by management's effort.

Net impairment losses on financial assets and contract assets

For the Review Year, the net impairment losses on financial assets and contract assets have increased by approximately HK$2.9 million compared to the corresponding year ended 31 March 2019, from approximately HK$38,000 to approximately HK$3.0 million. The significant increase was due to the increase in impairment losses under expected credit loss model on trade receivables and contract assets caused by significant changes in the expected performance and behaviour of the debtors.

Net loss

As a result of the aforesaid, during the Review Year, the Group reported a net loss of approximately HK$33.1 million compared to a net loss of approximately HK$25.1 million to the corresponding year ended 31 March 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to various risks and uncertainties. The following are the key risks and uncertainties faced by the Group:

Industry Risks

The future development of the foundation industry and the availability of foundation projects in Hong Kong depends largely on the continued development of the property market in Hong Kong. The nature, extent and timing of available foundation projects will be determined by an interplay of a variety of factors, including the Government's policies on the property market, land supply and public housing policy, the investment of property developers and the general conditions and prospect of Hong Kong's economy. Any slowdown of the property market may affect the availability of foundation projects in Hong Kong and have a material and adverse impact on our Group's business.

Compliance Risks

Due to the nature of foundation industry, many aspects of the Group's business operation are governed by various laws and regulations and Government policies. The requirements in respect of the granting and/or renewal of various licences and qualifications may change from time to time, and there is no assurance that the Group will be able to respond to such changes in a timely manner. Such changes may also increase the costs and burden in complying with them, which may materially and adversely affect the Group's business, financial condition and results of operation.

Uncertainties in Construction Progress

(1) unexpected geological or sub-soil conditions

Prior to commencement of the foundation works, the customers would normally provide ground investigation reports to the Group. However, information contained in these reports may not be sufficient to reveal the actual geology beneath the construction site due to limitation in the scope of the underground investigation works that can be carried out at the site and/or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or to identify any antiquities, monuments or structures beneath the site.

All these may eventually present potential issues and uncertainties in the carrying out of our foundations works, such as the possible increase in the complexity of the project resulting from additional work procedures, workers, equipment and times required to deal with any unexpected existence of rocks, antiquities or monuments, which may also lead to additional costs to be incurred. Nevertheless, in case of any significant unexpected difficult geological or sub-soil conditions, the Group may incur additional costs in dealing with such unforeseen conditions, which may lead to cost overruns and may thus materially and adversely affect the Group's business operation and financial position.

(2) damage of various underground service utilities

Services utilities may be laid underground or below carriageways and footways in Hong Kong. The Group may be obstructed by those service utilities when carrying out foundation works. There is no assurance that damage to those utilities will not occur during the foundation works. Accordingly, the Group may be liable to the costs for the repair of such damaged service utilities to the extent not covered by insurance.

Failure to Guarantee New Business

Revenue is typically derived from projects which are non-recurrent in nature. As the Group does not enter into long-term agreements with the customers, there is no guarantee that the Group will be able to secure new businesses from customers. The number and scale of projects from which the Group derives revenue from may vary significantly from period to period, and it may be difficult to forecast the volume of future business. In the event that the Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business and financial positions and prospect of the Group could be materially and adversely affected.

ENVIRONMENTAL POLICIES

In undertaking foundation works, the Group may cause (i) emission of air pollutants; (ii) emission of noise from construction activities; and (iii) disposal of construction waste. Therefore, the foundation works are subject to the requirements of the following laws and regulations in relation to the environmental protection.

The laws and regulations which have a significant impact on the Group includes, 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), Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) and Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong).

The Group places an emphasis on environmental protection when undertaking its projects. The Group has implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015. Besides that, the Group has also established environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by employees and workers of the sub-contractors.

In order to promote environmental awareness with the business partners, the Group reviews their sub-contractors regularly with environmental contribution being one of the criteria, higher priority is given to sub-contractors possessing ISO 14001 certification.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Review Year, as far as the Board and the management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

Management Discussion and Analysis

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

Employees

The Group considers its employees the key to sustainable business growth and also recognises its employees as its valuable assets. The Group provides comprehensive remuneration package to attract, motivate and retain appropriate and suitable employees to serve the Group. The Group has in place a fair and effective performance appraisal system and incentive bonus scheme designed to motivate and reward employees at all levels to deliver their best performance and achieve targets. The Group also provides on-the-job training and development opportunities to enhance its employees' career development and learning.

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.

Besides that, the Group believes a strong and good relationship with customers would increase its recognition and visibility in the foundation industry. As such, the Group values the views and opinions of all customers through various means and channels, including regular review and analysis on customer feedback.

The Group also believes that a strong and good relationship with customers can further develop new business opportunities in the foundation industry.

Suppliers and Sub-contractors

The Group has developed stable and strong working relationships with suppliers and sub-contractors 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 the project.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

During the Review Year, there has been no change in capital structure of the Group.

As at 31 March 2020, the Group had total bank balances of approximately HK$39.5 million (31 March 2019: approximately HK$68.9 million).

As at 31 March 2020 and 2019, the Group had no debts outstanding.

GEARING RATIO

As at 31 March 2020, the gearing ratio (calculated as total borrowings divided by the total equity) was nil (31 March 2019: Nil).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards it 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.

PLEDGE OF ASSETS

As at 31 March 2020, the Group had cash collateral of approximately HK$3.7 million for issuance of surety bonds (31 March 2019: Nil).

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and most 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 rate risk for the Review Year.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the Review Year, the Group invested approximately HK$11.7 million in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Review Year, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT

During the Review Year, the Group had no significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Use of Proceeds", the Group did not have any other plans for material investments or capital assets during the Review Year.

USE OF PROCEEDS

The net proceeds received by the Group, after deducting related expenses were approximately HK$84.2 million. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 12 September 2016 (the "**Prospectus**"). Such uses include: (i) acquisition of excavators, cranes and breakers; (ii) strengthening the workforce and manpower; (iii) increasing marketing efforts; and (iv) funding of general working capital. Details of the use of the proceeds are listed as below:

				Expected Timeline for Utilising the Unutilised Proceeds		
	Planned use of Proceeds up to 31 March 2020	Actual Usage up to 31 March 2020	Unutilised Usage up to 31 March 2020	31 March 2021	31 March 2022	31 March 2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Acquisition of excavators, cranes and breakers	55,000	23,795	31,205	12,000	10,000	9,205
Strengthening the workforce and manpower	15,000	12,436	2,564	2,564	–	–
Increasing marketing efforts	6,200	2,943	3,257	1,100	1,100	1,057
Funding of general working capital	8,000	8,000	–	–	–	–
Total	84,200	47,174	37,026	15,664	11,100	10,262

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

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group employed a total of 58 full-time employees (including executive Directors), as compared to a total of 70 full-time employees as at 31 March 2019. Remuneration is determined with reference to the market terms and the performance, qualifications and experience of the individual employee. In addition to basic salary, performance-linked bonus is offered to those staff with special contributions to the Group, in order to attract and retain capable employees. The total remuneration cost incurred by the Group for the Review Year was approximately HK$40.7 million compared to approximately HK$43.4 million in the corresponding year ended 31 March 2019.

CHANGE OF INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the change of information of Director is set out below:

Mr. Tam Wai Tak Victor retired from office as an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) with effect from 14 May 2019.

Biographical Details of the Directors and Senior Management

Biographical details of the Directors and senior management are set out as follows:

DIRECTORS

Executive Directors

Mr. WONG Yan Hung (黃仁雄) ("**Mr. YH Wong**"), aged 61, is one of the controlling shareholders, the chairman of the Board and an executive Director of the Group. He joined the Group in June 1995 and is the founder of the Group. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. YH Wong is responsible for the overall business development as well as financial and strategic planning of the Group. He has more than 20 years of experience in the foundation industry. He is the father of Mr. Tony Wong. For Mr. YH Wong's interest in the shares of the Company (the "**Shares**") within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), please refer to the section headed "Directors' Report" in this report.

Mr. WONG Tony Yee Pong (黃義邦) (former name: WONG Yee Pong (黃義邦)) ("**Mr. Tony Wong**"), aged 37, is one of the controlling shareholders, the chief executive officer and an executive Director of the Group. He joined the Group in March 2008. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Tony Wong is mainly responsible for the overall management of the business operation as well as project management and supervision. He has more than 10 years of experience in the foundation industry and obtained his degree of Bachelor of Science from Simon Fraser University in Canada in February 2008. He is the son of Mr. YH Wong. For Mr. Tony Wong's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Directors' Report" in this report.

Mr. LAI Kwok Fai (黎國輝) ("**Mr. Lai**"), aged 61, is one of the controlling shareholders, the chief operating officer and an executive Director of the Group. He joined the Group in May 1996. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Lai is mainly responsible for the overall business operation and strategic planning of the Group. He has more than 20 years of experience in the foundation industry. For Mr. Lai's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Directors' Report" in this report.

Biographical Details of the Directors and Senior Management

Independent non-executive Directors

Mr. LAW Ka Ho (羅嘉豪) ("**Mr. Law**"), aged 37, was appointed as the independent non-executive Director in September 2016. He obtained a degree of Bachelor of Business Administration from the Chinese University of Hong Kong in December 2004. He was admitted as a member of the Association of Chartered Certified Accountants in November 2008 and a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

From July 2004 to August 2005, Mr. Law was employed as an audit trainee by Chan Chee Cheng & Co. Certified Public Accountants. From August 2005 to February 2006, he served as an accountant in HLB Hodgson Impey Cheng. He subsequently joined Shu Lun Pan Hong Kong CPA Limited from February 2006 to April 2009 at which his last position was audit senior. In May 2009, he joined BDO Limited as a senior associate and was subsequently promoted to a manager in October 2010 until he left the firm in May 2014. Since December 2014, he has joined the group of Hao Tian International Construction Investment Group Limited (formerly known as Clear Lift Holdings Limited) (stock code: 1341), the shares of which are listed on the Main Board of the Stock Exchange, with his current position as financial controller.

Mr. LEUNG Wai Lim (梁唯廉) ("**Mr. Leung**"), aged 47, was appointed as the independent non-executive Director in September 2016. He is an adjudicator appointed to the Panel of Adjudicators (Control of Obscene and Indecent Articles) (established under the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)) and a member of the Board of Review (Inland Revenue Ordinance) in Hong Kong. He is also a panel member appointed by the Secretary for Transport and Housing to the Transport Tribunals' Panel and a member of the Transportation and Logistics Committee (co-option) of the Law Society of Hong Kong SAR.

Mr. Leung has over 20 years of law related working experience. He was employed by DLA Piper from February 2001 to April 2009 at which his last position was partner. He was then employed by Eversheds from May 2009 to April 2015 at which his last position was partner. He is a partner of Howse Williams (previous known as Howse Williams Bowers) since May 2015. Mr. Leung obtained a bachelor's degree in law from University of Wales in United Kingdom in July 1995. He was admitted to practise law as a solicitor in Hong Kong in August 1999 and in England and Wales in April 2001. He is also currently an independent non-executive director of China New Economy Fund Limited (Stock Code: 0080) since October 2018 and Yield Go Holdings Ltd. (Stock code: 1796) since December 2018.

Mr. TAM Wai Tak Victor (譚偉德) ("**Mr. Tam**"), aged 42, was appointed as the independent non-executive Director in September 2016. He graduated with a degree of Bachelor of Arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in February 2010 and a member of the Hong Kong Institute of Certified Public Accountants in July 2005.

Mr. Tam has more than 15 years of experience in the field of auditing, accounting and financial management. From January 2002 to February 2005, he was employed as an audit assistant at an audit firm in Hong Kong and was subsequently promoted to senior auditor. From April 2005 to January 2010, he worked at Grant Thornton at which his last position was manager. From January 2010 to November 2010, he served as a financial controller for a private company. From January 2011 to January 2013, he worked at BDO Limited at which his last position was senior manager. Since January 2013, he has joined the group of Differ Group Holding Company Limited (stock code: 6878), the shares of which are listed on the Main Board of the Stock Exchange, with his current position as financial controller. He is also currently an independent non-executive director of Twintek Investment Holdings Limited (Stock Code: 6182) since December 2017 and GT Steel Construction Group Limited (Stock Code: 8402) since June 2017. He was an independent non-executive director of Cool Link (Holdings) Limited (Stock code: 8491) from August 2017 to May 2019.

Biographical Details of the Directors and Senior Management

Senior Management

Mr. SHUM Kwo Foo (岑果夫) ("**Mr. Shum**"), aged 71, is the technical director and joined the Group in August 2008. He is mainly responsible for supervising and providing technical support to the performance of foundation works. He is also a director of Hop Kee Construction Company Limited.

Mr. Shum has over 40 years of experience in the construction industry and obtained a degree of Bachelor of Science in engineering from The University of Hong Kong in October 1971. He was admitted as a member of the Institution of Structural Engineer in June 1977, a member of the Hong Kong Institution of Engineers in March 1979 and a member of the Institution of Civil Engineer in June 1981. He is included in the Authorised Person's Register (List of Engineers), Structural Engineers' Register and Geotechnical Engineers' Register kept under section 3 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). He is also a registered professional engineer registered with the Engineers Registration Board under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong).

Mr. CHUI Gary Wing Yue (徐永裕) ("**Mr. Chui**"), aged 44, is the financial controller and the company secretary and joined the Group in August 2015. He is mainly responsible for overseeing the financial reporting, financial planning, financial control, treasury and company secretarial matters.

Mr. Chui has over 20 years of experience in auditing, accounting, financial management, taxation and treasury. He obtained a degree of Bachelor of Commerce in accounting and finance from the University of New South Wales in Australia in October 1998 and a degree of Master of Economics in finance from the Jinan University (暨南大學) in the PRC in December 2012. He is a member of certified practising accountant of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability because the Group believes that is the best way to maximise our shareholder's value.

The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 to the Listing Rules. To the best knowledge of the Board, the Company has complied with the CG code during the Review Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard during the Review Year.

THE BOARD

Composition

As at the date of this report, the Board is chaired by Mr. Wong Yan Hung and comprised of six members including three executive Directors and three independent non-executive Directors.

Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this report. Save for Mr. Wong Yan Hung being the father of Mr. Wong Tony Yee Pong, there are no financial, business, family or other material/ relevant relationships among members of the Board.

Executive Directors

Mr. Wong Yan Hung *(Chairman)*
Mr. Wong Tony Yee Pong *(Chief executive officer)*
Mr. Lai Kwok Fai *(Chief operating officer)*
Mr. Lam Joseph Chok (resigned on 1 September 2019)

Independent non-executive Directors

Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

The Board has adopted three policies including board diversity policy (the "**Board Diversity Policy**"), nomination policy (the "**Nomination Policy**") and dividend policy (the "**Dividend Policy**").

(i) The Board Diversity Policy which sets out the approach to achieve diversity on the Board is summarised as follows:

- the Company recognises and embraces the benefits of having a diverse Board to enhance the quality and effectiveness of the Board;

- in designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;

- the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board; and

- the nomination committee of the Board will report on the Board's composition under diversified perspectives, monitor the implementation of the Board Diversity Policy, review the Nomination Policy and the Board Diversity Policy to ensure effectiveness and recommend for any revisions to the Board for consideration and approval.

(ii) The Nomination Policy which sets out the criteria and procedures for the selection, appointment/re-appointment of Directors is summarised as follows:

- the selection of candidates or re-appointment of any existing member(s) of the Board will be based on the following criteria:

  (a) reputation for integrity;

  (b) accomplishment, experience and reputation in the industry;

  (c) commitment to devote sufficient time and relevant interest;

  (d) diversity perspectives as mentioned in the Board Diversity Policy;

  (e) ability to assist and support the management of the Group;

  (f) independence for the independent non-executive Directors as defined in the Listing Rules; and

  (g) any other relevant factors as may be determined by the Board from time to time.

- The nomination and selection procedures are:

  (a) the Board shall review, from time to time the structure, size, and diversity of the Board;

  (b) proposed candidate(s) will be asked to submit the necessary personal information in order for the Board to assess the suitability of the candidate(s) based on the above listed criteria;

  (c) when any existing member(s) of the Board is subject to re-selection according the articles of association of the Company, the Board shall apply the above listed criteria to the proposed candidate(s) on his/her/their re-appointment; and

  (d) the Board shall ensure the procedures of the nomination, selection and appointment/re-appointment to comply with the articles of association of the Company, the law of the Cayman Islands and the Listing Rules.

(iii) The Dividend Policy which sets out the criteria and principals which the Board considers if the dividends should be paid to shareholders of the Company in according to the Dividend Policy is summarised as follows:

- The Board shall consider the following factors regarding the recommending/determining the frequency, amount and form of any dividend in any financial year/period:

  (a) the Group's operating results, actual and expected financial performance;

  (b) the retained earnings and distributable reserves of the Company;

  (c) the Group's cash flow and liquidity position, capital requirements and future expenditure plans;

  (d) the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

  (e) general economic conditions, business cycle of 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

  (f) any other factor that the Board deems appropriate and relevant.

The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period and 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.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the position of the chairman and chief executive officer of the Company are held by different individuals. Mr. Wong Yan Hung is the chairman and Mr. Wong Tony Yee Pong is the chief executive officer. The primary role of the chairman is to provide leadership for the Board and to ensure it works effectively in discharging its responsibilities. The chief executive officer is responsible for the day-to-day management of the Group's business.

Independent Non-executive Directors

During the Review Year and up to date of this report, the Company has three independent non-executive Directors representing more than one-third of the Board, which is in compliance with rules 3.10(1) and 3.10A of the Listing Rules. Two of the independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Tam Wai Tak Victor, both possessing professional accounting qualifications, or accounting or related financial management expertise, which is in compliance with rule 3.10(2) of the Listing Rules.

Appointment, Re-election and Removal of Directors

Each of the executive and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company for a specific term and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the amended and restated memorandum and articles of association (the "**Restated Articles**").

In accordance with article 108 of the Restated Articles, at each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Restated Articles, Mr. Lai Kwok Fai, Mr. Law Ka Ho and Mr. Leung Wai Lim will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, and offer themselves for re-election.

Corporate Governance Report

Role and Responsibilities

The Board is responsible for the overall management of the Group and all day-to-day operations and management of the Company's business has been delegated to management under the leadership of the chief executive officer of the Company.

The principal roles of the Board are:

- set long term objectives and strategies;
- approve major policies and guidelines;
- prepare and approve financial statements, annual report and interim report;
- approve major capital expenditures, acquisition and disposals;
- approve connected transactions;
- approve material borrowings and expenditures;
- review and monitor of internal control and risk management; and
- declare and recommend the payments of dividends.

The Board is also responsible for the corporate governance functions of the Company, which includes:

- review the Company's policies and practises on corporate governance;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practises on compliance with legal and regulatory requirements;
- review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- review the Company's compliance with the CG code and disclosure in the corporate governance report.

Directors' Insurance

The Company has arranged appropriate insurance coverage for all Directors in relation to the discharge of their responsibilities.

Directors' Training and Professional Development

The Company, from time to time, provides in-house trainings for the Directors in the form of seminars, workshops and/or reading relevant material on the latest development of applicable laws, rules and regulations, management, financial and business issues to develop and refresh their knowledge and skills. The above training costs are borne by the Company.

Corporate Governance Report

The Directors are required to provide the Company with details of the training's records. Based on those training's record, the Directors received the following training during the Review Year:

	Type of training	
Directors:	**Reading and/or on-line studying**	**Seminars and/or workshops**
Mr. Wong Yan Hung	✓	✓
Mr. Wong Tony Yee Pong	✓	✓
Mr. Lai Kwok Fai	✓	✓
Mr. Law Ka Ho	✓	✓
Mr. Leung Wai Lim	✓	✓
Mr. Tam Wai Tak Victor	✓	✓

Board Process

The Company has in place clear board process. Regular Board meetings are scheduled at least four times per year. Directors receive at least 14 days' prior written notice of regular Board meetings and agenda. The Board papers, including supporting analysis and relevant background information, are normally sent to all Directors at least 3 days before the Board meeting. For other Board meetings, Directors are given notice as soon as possible in the circumstances. Directors may include any matters they wish to discuss in the agenda.

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company, and are open for inspection by Directors upon request. All Directors have access to the advice and services of the company secretary, and are allowed to seek external professional advice if needed.

During the Review Year, the Board held four meetings. The attendance record of the Board meetings and the annual general meeting are set out below:

	Board meetings attended/ Eligible to attend	Annual general meeting attended/ Eligible to attend
Executive Directors:		
Mr. Wong Yan Hung	4/4	1/1
Mr. Wong Tony Yee Pong	4/4	1/1
Mr. Lai Kwok Fai	4/4	1/1
Mr. Lam Joseph Chok (resigned on 1 September 2019)	2/2	1/1
Independent Non-executive Directors:		
Mr. Law Ka Ho	4/4	1/1
Mr. Leung Wai Lim	4/4	1/1
Mr. Tam Wai Tak Victor	4/4	1/1

BOARD COMMITTEES

To facilitate the work of the Board, the Board has established three Board committees to oversee specific aspects of the Company's affairs, namely audit committee (the "**Audit Committee**"), nomination committee (the "**Nomination Committee**") and remuneration committee (the "**Remuneration Committee**"). Each Board committee has its own terms of reference relating to its authority and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of each committee are available on the websites of the Company and the Stock Exchange.

Each Board committee has been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company established the Audit Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor and perform the corporate governance function.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Tam Wai Tak Victor is the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated financial statements for the Review Year. The Audit Committee was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

During the Review Year, the Audit Committee held two meetings. The attendance record of the Audit Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Tam Wai Tak Victor *(Chairman)*	2/2
Mr. Law Ka Ho	2/2
Mr. Leung Wai Lim	2/2

The following is a summary of the work performed by the Audit Committee:

- reviewed the interim results of the Group;
- reviewed the annual results of the Group;
- reviewed the Group's financial information and financial reporting system;
- reviewed the Company's auditors' independence and objectivity;
- made recommendations to the Board on the re-appointment of the Company's external auditors;
- approved the remuneration and terms of engagement of the Company's external auditors;
- reviewed the Company's external auditors' management letter, significant findings and recommendations;

- reviewed the continuing connected transactions and commented on the fairness and reasonableness of the transactions;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed and discussed the reports from the Company's external professional firm with the management;
- reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risks management functions;
- reviewed the terms of reference of the Audit Committee and made recommendation to the Board for approval;
- reviewed the Company's compliance with the CG code and disclosure in the corporate governance report; and
- met with the Company's external auditors, in the absence of the management.

There had been no disagreement between the Board and the Audit Committee during the Review Year and up to this date of this report.

Nomination Committee

The Company established the Nomination Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board, access the independence of the independent non-executive Directors and make recommendations to the Board regarding appointment of Board members and senior management of the Group.

The Nomination Committee consists of an executive Director, namely Mr. Wong Yan Hung and two independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Tam Wai Tak Victor. Mr. Wong Yan Hung is the chairman of the Nomination Committee.

During the Review Year, the Nomination Committee held two meetings. The attendance record of the Nomination Committee is set out below:

Name of committee members	**Meetings attended/ Eligible to attend**
Mr. Wong Yan Hung *(Chairman)*	2/2
Mr. Law Ka Ho	2/2
Mr. Tam Wai Tak Victor	2/2

The following is a summary of the work performed by the Nomination Committee:

- reviewed the term of reference of the Nomination Committee and made recommendation to the Board for approval;
- reviewed the structure, size and composition and diversity of the Board;
- assessed and confirmed the independence of the independent non-executive Directors; and
- reviewed the nomination policy and the Board Diversity Policy and made recommendation to the Board for approval.

Remuneration Committee

The Company established the Remuneration Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management, and make recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board.

The Remuneration Committee consists of an executive Director, namely Mr. Wong Tony Yee Pong and two independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Law Ka Ho is 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 own remuneration.

During the Review Year, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$0 to HK$1,000,000	2

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in note 9 to the consolidated financial statements.

During the Review Year, the Remuneration Committee held two meetings. The attendance record of the Remuneration Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Law Ka Ho *(Chairman)*	2/2
Mr. Leung Wai Lim	2/2
Mr. Wong Tony Yee Pong	2/2

The following is a summary of the work performed by the Remuneration Committee:

- reviewed the term of reference of the Remuneration Committee and made recommendation to the Board for approval;
- considered the remuneration paid to Directors and senior management with reference to their responsibilities, workload, the time devoted and the performance of the Group, as well as remuneration paid by other comparable listed companies;
- amended the remuneration policy and structures for Directors and senior management of the Group;
- reviewed and made recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board; and
- made recommendations to the Board on the remuneration of independent non-executive Directors.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Directors also acknowledge their responsibility to ensure the consolidated financial statements are published in a timely manner. 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 Auditors' reporting responsibilities are set out in the section headed "Independent Auditors' Report" in this report.

AUDITORS' REMUNERATION

For the Review Year, the fee paid/payable to HLB Hodgson Impey Cheng Limited by the Group is set out as follows:

	HK$
Audit services	750,000
Non-audit services	150,000

The amount of fee incurred for the non-audit services is mainly the financial information review fee. The Audit Committee was satisfied that non-audit services for the Review Year did not affect the independence of the auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Company's risk management and internal control systems, and for reviewing its effectiveness.

In meeting its responsibility, the Group has adopted a "3 lines of defence" model to identify, analyse, evaluate, mitigate and handle risks. At the first line of defence, the departmental heads of the Group have to complete a risk management and internal control self-assessment questionnaires, identify and evaluate those significant risks and confirm to the management that appropriate internal control policies and procedures have been established and properly complied with. At the second line of defence, the management provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risks capacity and that the control of the first line of defence is effective. At the third line of defence, the Audit Committee and the Board with the advice and opinions from an external professional party conduct a review of the Company's risk management and internal control systems on an annual basis and ensure that the first and second lines of defence are performed effectively. The management then reviewed the findings and summarised all material issues to the Board and Audit Committee annually.

The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

The Group recognises that good risk management is essential for the long-term development of the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the soundness and effectiveness of the internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implementing the risk management framework into daily operation.

Although the Company does not have an internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. The Group has engaged an external professional party to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

Corporate Governance Report

INSIDE INFORMATION POLICY

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures such as limit access to inside information to those who need to know and requiring external parties to execute confidentiality agreement have been implemented by the Company to guard against mishandling of inside information. The Company also reminds those relevant personnel and other professional parties to preserve confidentiality of the inside information until it is publicly disclosed.

COMPANY SECRETARY

The Company has appointed Mr. Chui Gary Wing Yue as the company secretary of the Company (the "**Company Secretary**"), who is responsible for facilitating the Board process, as well as communications among the Directors, with shareholders and management. Mr. Chui has confirmed that for the Review Year, he has taken no less than 15 hours of professional training to upgrade his skills and knowledge. The biography of Mr. Chui is set out in the section headed "Biographical Details of the Directors and Senior Management" in this report.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

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

Extraordinary general meetings shall also be convened on the requisition of one or more shareholder holding, at the date of deposit of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Flat A, 7th Floor, Sai Wan Ho Plaza, 68 Shaukeiwan Road, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

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

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

Procedures by which Enquiries may be put to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are welcomed to send their enquiries to the Board by post to the principal place of business in Hong Kong set out in the section headed "Corporation Information" in this report or by email at info@swgrph.com.

Corporate Governance Report

INVESTOR RELATIONS

The Board strives to maintain on-going dialogue with shareholders and the investment community, the Company has established a shareholders communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

Latest information on the Group including, but not limited to annual and interim reports, circulars, announcements and notices of annual general meetings are updated on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.swgrph.com).

In addition, the Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting, where all Board members and external auditors are available to answer questions on the Group's business.

The annual general meeting will be held on Thursday, 3 September 2020, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Review Year, there had been no significant changes in the constitutional documents of the Company.

Environmental, Social and Governance Report

FOREWORD

Upholding values of integrity, equity, and transparency, the Group firmly adheres to principles of good corporate governance to achieve sustainable development along with its business growth. From daily operations to its business activities, the Group has incorporated appropriate environmental, social, and governance measures, in order to minimise its negative impacts brought to the environment and bring positive influences to thrive on Hong Kong society.

Scope and Review Year

Rooted in Hong Kong's foundation industry for years, the Group is committed to sustainably growing its business. The Board is pleased to present the Environmental, Social and Governance report (the "**ESG Report**") covering the Review Year, and the year ended 31 March 2019 for comparison if applicable. The following report illustrates the Group's efforts and performance in achieving sustainable business for the Review Year.

Basis of Preparation

The ESG Report is compiled in accordance to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Listing Rules, with the aim to disclose and explain on the major measures and activities executed by the Group in regard to environmental, social and governance facets during the Review Year.

Stakeholders' Feedback

The Group values opinions from its stakeholders and welcomes to hear their feedback on its environmental, social and governance approach and performance. We believed that comments from various perspectives drive improvements in the Group's sustainability performance in the future.

GENERAL ENVIRONMENTAL POLICIES

The Group acknowledges its corporate responsibility for pollution control and considers its business success on sustainability rather than immediate results.

Hence, the Group stepped up efforts in controlling pollution, noise, and construction wastes as low as possible from its business operation, attaining energy-saving to a higher degree. The Group has implemented a range of measures in its business operation:

1. To use non-road mobile machinery approved by the Environmental Protection Department ("**EPD**") label;

2. To use hand-held percussive breakers and air compressors with noise emission label; and

3. To use a trip-ticket system to record the disposal of construction waste to disposal facilities.

The major sources of greenhouse gas ("**GHG**") emission and energy footprints are from (i) electricity consumed in the corporate office, (ii) fuel and diesel consumed in the plant, and (iii) machinery, trucks, lorries and vehicles in construction foundation operation. During the Review Year, the Group has refined the measures towards a broader application of resource-efficient operation, and encourages staff to participate. Employees are educated with energy-saving concepts; meanwhile, a list of guidelines is set out so as to cultivate higher environmental awareness at the workplace. Those energy-efficient measures implemented by the Group throughout the Review Year are listed below:

- To select energy-efficient equipment, including lights and appliances;
- To minimise idling time of the vehicles during operation;
- To conduct repairs and maintenance on vehicles, plant and machinery, equipment, trucks, and lorries in a timely manner;
- To use environmentally friendly engine oil;
- To use electric vehicles as much as we can;
- To turn on the air-conditioning only when necessary and set the temperature 25°C or above;
- To turn off the lights whenever not in use; and
- To switch off electrical devices and equipment after work.

For the Review Year, to the Group's best knowledge, it did not generate any hazardous waste in the course of its operation. The major non-hazardous waste from the Group was paper used in the back office, and construction wastes appropriately handled by the local authorities, which will be disclosed further in the following section of this report. Our employees are always reminded to (i) use both sides of the paper; (ii) adjust the margin and font size of documents as far as practicable to optimise the use of paper; and (iii) use digital communication and document storage as far as feasible.

Apart from energy-saving and GHG emission reduction, the Group has strict compliance with relevant environmental laws and regulations in all material aspects. During the Review Year, the Group is not aware of any non-compliance incidents relating to air and GHG emission, discharge into water and land, and generation of hazardous and non-hazardous wastes. The Group ensures legal and proper disposal of construction waste, whereas all disposals accounted for the Group are billed by the Construction Waste Disposal Charging Scheme.

USE OF RESOURCES & EMISSIONS

The Group's GHG emission performance was estimated with reference to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" issued by EPD and Electrical and Mechanical Services Department. The energy use and emission data listed below mainly come from the use of vehicles, trucks, and lorries used at construction sites and the Group's operation.

Energy use and emissions	Unit	FY2020	FY2019	Intensity (unit/million sales) FY2020[1]	FY2019[3]
Electricity	kWh	101,592	98,395	756	425
Fuel	litre	4,894	5,889	36	25
Diesel	litre	405,567	374,968	3,018	1,620
GHG Emission	CO_2e (tonnes)	1,072	994	8	4
Nitrogen Oxides (NO_x)	kg	433	388	3	2
Sulphur Oxides (SO_x)	kg	7	6	N/A	N/A
Particulate Matter (PM)	kg	31	27	N/A	N/A

Use of resources	Unit	FY2020	FY2019	Intensity (unit/million sales) FY2020[1]	FY2019[3]
Paper	kg	754	808	6	3
Water	litre	3,530[2]	8,165[4]	26	35
Construction waste	tonnes	29,195	98,611	217	426

Notes:

1 Intensity is calculated by the total amount of consumption over total revenue for the Review Year, approximately HK$134.4 million.

2 Water consumption for the Review Year refers to water used in construction site and water used in warehouse.

3 Intensity is calculated by the total amount of consumption over total revenue for the year ended 31 March 2019, approximately HK$231.5 million.

4 Water consumption for the year ended 31 March 2019 refers to water used in the construction site and water used in the warehouse.

The above tables present the total emissions and resources consumption during the Review Year. During the Review Year, the Group recorded increases in the use of electricity and diesel, while the Group had noticeable improvements in minimising paper use, water consumption and construction waste. The majority of our construction waste was disposed to public landfills and sorting facilities regulated by Hong Kong government, of which contains more than 50% by weight of inert construction waste consisting of rock, rubble, boulder, earth, soil, sand, concrete, asphalt, brick, tile, masonry or used bentonite.

Diesel consumption continues to be the Group's major source of GHG emissions. The Group's energy consumption was mainly attributable to vehicles, plant and machinery, equipment, trucks, and lorries used in the projects and operation. During the Review Year, the total GHG emission (CO_2 equivalent) of the Group increased to 1,214 tonnes, while emissions of other air pollutants, including nitrogen oxides, sulphur oxides and particulate matter increased by 11.9% in total. This attributed to the greater diesel consumption in various types of vehicles including heavy goods, light goods and private cars. The increase in energy consumption for the Review Year is expected due to increasing needs in the Group's operation. Although the environmental performance for the Review Year did not improve much from last year, the Group will continue to put efforts in its approach, so as to improve its energy use efficiency.

Environmental, Social and Governance Report

ENVIRONMENT & NATURAL RESOURCES

The Group makes its best effort in balancing its business development and minimising negative impacts to the environment. Beyond compliance, the Group follows a systematic approach in monitoring pollution and implements conscious decisions that cover the entire supply chain. The Group prioritises suppliers with environmentally responsible products and practises in selection. Besides, its management team seeks advice from business partners and external consultants upon industry changes, achieving optimal sustainability, compliance, resources, and efficiency.

EMPLOYMENT & LABOUR STANDARDS

The Group considers its employees as the greatest asset in supporting the business growth, and therefore, strives to protect their human rights, well-being and interests. The Group's human resources teams is responsible to review our policies and procedures regularly, in ensuring strict compliance with relevant laws and regulations applicable to our business operation, as well as protecting our employee's lawful rights and well-being.

In line with employment laws in Hong Kong, all employees of the Group are covered by Employment Ordinance (Chapter 57 of the Laws of Hong Kong); Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong); and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong). The Group adopts equal employment, for which all forms of discriminatory actions in relation to gender, age, race, religion, political affiliation, and national origin are prohibited. All remuneration, promotions and termination decisions are executed on the basis of equal opportunity. For the Review Year, there was no non-compliance case related to employment.

The Group forbids the use of child labour or forced labour in any form. The human resources department investigates and identifies on the personal information of all applicants during recruitment, so as to ensure every employee of the Group meets Hong Kong's legal working age.

Furthermore, the Group provides all legally required insurance and retirement contributions for applicable employees; and offers different types of leaves, including annual, maternity, paternity, and examination leaves as well.

Employment Structure

In the practise of Hong Kong's construction industry, on-site construction workers are usually employed on a project basis, as the quantity of labour needed varies between different project sizes. The following figures show the headcount of full-time employees categorised by job function, gender, and age group:

	For the year ended	
	FY2020	FY2019
By Job Function		
Management	**10**	8
Administration	**4**	4
Supervisors	**6**	8
Technicians	**3**	3
Workers	**35**	47
By Gender		
Male	**51**	63
Female	**7**	7
By Age Group		
≤30	**4**	9
31–40	**7**	10
41–50	**18**	16
51–60	**17**	18
≥61	**12**	17

SAFETY WORK ENVIRONMENT

The Group aims to provide an enjoyable working environment for the employees, as it is believed that a positive workplace culture motivates their productivity and efficiency, meanwhile enhances retention of the workforce. Hence, the Group performs reasonable working hours at both construction sites and back office, ensuring work-life balance is reached amongst its workers and staff. Besides, a fair competing environment for career development is endorsed by the Group, where employee's performance is highly considered regardless of race, ethnicity, gender, age, sexual orientation, or other factors.

Since potential safety hazard appeared in the foundation industry is relatively high, occupational health and safety takes priority over any other matter in the Group. Advocating the standard of Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Group adopts proactive initiatives to cultivate a healthy workplace environment by raising awareness of occupational safety amongst its employees and workers. The Group regularly provides on-site and mechanical safety training, as well as training on theoretical knowledge and the use of appropriate tools and equipment in order to equip the workforce of the Group with the ability to identify and prevent safety hazards. Safety and operational instructions on posters and other guidelines are reiterate in the work environment. Furthermore, the Group reinforces construction site monitoring to eliminate safety risks at the workplace. According to the Group's detailed safety guidelines and accident reporting procedures, on-site safety officers are responsible for inspecting with all projects daily, and for ensuring compliance with all government regulation and related ordinances.

During the Review Year, there was no accident (2019: 2) nor material non-compliance related to work safety. Such achievement in zero accident rate confirmed our Group's continuous effort in upholding a high standard in work safety during the Review Year.

STAFF DEVELOPMENT & TRAINING

The Group places great emphasis on nurturing our staff through the guidance of discovering their potential value. Therefore, each employee of the Group is given adequate opportunities. Substantial resources are allocated in the provision of relevant training to the employees, which could improve their job performance and strengthens their capability for the future development of the Group's business. For instance, all back-office staff and construction site staff with project manager grades or above are benefited from Training Sponsorship Programme, upskilling their techniques and work efficiency. Other training, such as seminars and workshops held by industry experts and reputable professional associations, has also been arranged.

Aside from training courses, the Group has developed a mechanism of performance evaluation, for which its employees are protected by unbiased setting.

Our flow of growth potential evaluation:

SUPPLY CHAIN MANAGEMENT

The Group demands stringent regulations on the procurement process through objective-oriented process. Responsible staff investigates the qualifications of suppliers and thoroughly compares the prices and quality between different suppliers. The suppliers' and subcontractors' selection criteria include background, pricing, service, quality, reputation, and after-sales support, and environmental protection considerations as well.

Besides, the Group's procurement team monitors and reviews the terms of existing suppliers and subcontractors from time to time, in order to ensure their standards are qualified to maintain a highly efficient supply chain.

PROJECT MANAGEMENT

The Group's revenue mainly comes from individual projects working with trusted recurring clients, such as developers and landlords who have worked with the Group over the years. These long-term relationships established with recurring clients have confirmed the credibility and integrity of the Group.

Customer Relationship Management

Since good customer service is highly valued by the Group, it has been working hard to maintain an active communication manner with clients as well as other professional parties in each project to exchange comments and follow-up procedures. To handle customers' queries efficiently, the Group has adopted an exclusive customer communication channel. As such, the Group has performed well in customer relationship management, leading to no material complaints received for the past two years.

Data Privacy

Adhering to Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) in the operating practise, the Group ensures the customer's information is confidential and for internal use only. During the Review Year, all operating activities of the Group were compliant with the Personal Data (Privacy) Ordinance.

ANTI-CORRUPTION

Committed to high ethical standards, the Group strictly complies with Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) during the Review Year. The Group is overly concerned with the integrity of employees, where all business activities should follow ethical and lawful standards. Therefore, internal anti-corruption guidelines and procedures are established to avoid any ambiguity. Whilst no employees shall engage in any personal activities or transactions with customers, suppliers, or other third parties without the prior consent of the Board, acceptance of gifts from any party which has dealings with the Group is prohibited.

COMMUNITY INVESTMENT

With its business rooted in Hong Kong for years, the Group is concerned with the local community and wishes to give back to society along with its business growth. During the Review Year, the Group sponsored charitable events held by Lifewire, such as Lifewire Charitable Concert and Lifewire Run 2019. Looking forward, the Group will seek more opportunities to contribute to the local community and care of people in need.

ESG REPORTING GUIDE INDEX

ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
A. Environment			
A1	Emissions	Emissions	Complied
KPI A1.1	The types of emissions and respective emissions data.	Use of Resources & Emissions	Complied
KPI A1.2	Greenhouse gas emissions in total, and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — total hazardous waste produced in operation were insignificant	Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Complied
KPI A1.5	Description of measures to mitigate emissions and results achieved.	General Environmental Policies and Use of Resources & Emissions	Complied
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Insufficient data of previous year for the results achieved	Explained
A2	Use of Resources	Use of Resources & Emissions	Complied
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Complied
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	General Environmental Policies and Use of Resources & Emissions	Complied
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable — sourcing water in operation was insignificant	Explained

ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — packaging materials used in operation were insignificant	Explained
A3	The Environment and Natural Resources	Environment & Natural Resources	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Use of Resources & Emissions and Environment & Natural Resources	Complied
B. Social			
B1	Employment	Employment & Labour Standards	Complied
B2	Health and Safety	Safety Working Environment	Complied
B3	Development and Training	Staff Development & Training	Complied
B4	Labour Standards	Employment & Labour Standards	Complied
B5	Supply Chain Management	Supply Chain Management	Complied
B6	Product Responsibility	Project Management except that advertising and labelling relating to products and services were insignificant	Complied and explained
B7	Anti-corruption	Anti-Corruption	Complied
B8	Community Investment	Community Investment	Complied

Directors' Report

The Board is pleased to submit this annual report together with the audited financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in note 13 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for the Review Year are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 43 in this report. The business review of the Group for the Review Year is set out in the section headed "Management Discussion and Analysis" on pages 4 to 9 in this report.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Review Year are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Review Year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 45 in this report.

Distributable reserves of the Company as at 31 March 2020, calculated under the Companies Law of Cayman Islands amounted to approximately HK$37 million.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of any final dividend for the Review Year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

For the Review Year and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group during the Review Year are set out in note 14 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Restated Articles or the Laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

Information on the corporate governance practises adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 13 to 23 in this report.

ANNUAL GENERAL MEETING ("AGM")

The 2020 AGM will be held on Thursday, 3 September 2020. The notice of the AGM will be published and dispatched to shareholders of the Company in the manner as required by the Listing Rules in due course.

Directors' Report

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Saturday, 29 August 2020 to Thursday, 3 September 2020 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of Shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 28 August 2020.

DIRECTORS

The Directors during the Review Year and up to the date of this report are:

Executive Directors:

Mr. Wong Yan Hung
Mr. Wong Tony Yee Pong
Mr. Lai Kwok Fai
Mr. Lam Joseph Chok (resigned on 1 September 2019)

Independent Non-executive Directors:

Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

In accordance with article 108 of the Restated Articles, at each AGM, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Restated Articles, Mr. Lai Kwok Fai, Mr. Law Ka Ho and Mr. Leung Wai Lim will retire from office as Directors at the forthcoming AGM being eligible, and offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of 3 years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

Each of the independent non-executive Directors has entered a letter of appointment with the Company for a term of 2 years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

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

Directors' Report

NON-COMPETITION UNDERTAKING

Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong, Mr. Lai Kwok Fai and May City Holdings Limited ("**May City**") (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition dated 3 September 2016 in favour of the Group (the "**Deed of Non-Competition**"). Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of the subsidiaries), among others, that, during the period which (i) the Shares remain listed on the Stock Exchange; and (ii) the Controlling Shareholders and their close associates (other than members of the Group) individually or jointly, are entitled to exercise, or control the exercise of, not less 30% of the voting power at general meeting of the Company or the Controlling Shareholders or the relevant close associates remains as a director of any member of the Group, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to carry on or be engaged, concerned or interested, or otherwise be involved directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time.

Each of the Controlling Shareholders further undertakes that if any business investment or other commercial opportunity which may compete with the business of the Group is identified by or offered to him/it, he/it shall procure that his/its close associates to promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity. The Group shall within 30 days after the receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Controlling Shareholders whether the Group will exercise the right of first refusal.

The Company has received a written confirmation from the Controlling Shareholders in respect of the compliance with and the enforcement of the terms of the Deed of Non-Competition by the Controlling Shareholders during the Review Year.

All independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition entered into by the Controlling Shareholders as to whether the Controlling Shareholders had abided by the Deed of Non-Competition. All independent non-executive Directors also confirmed that the Controlling Shareholders had not been in breach of the Deed of Non-Competition during the Review Year.

COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates 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 Review Year, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this report and the Prospectus, is set out on page 90 in this report.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of transaction, arrangement or significance to the business of the Group to which the Company or any of its subsidiaries was a party for the Review Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 10 to 12 in this report.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set in note 9 to the consolidated financial statements.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 31 March 2020, the interests and short positions of the Directors or 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 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 interests 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 follows:

i. Long position in our Shares

Name of Directors	Capacity/Nature	Number of Shares held/interested in	Percentage of shareholding
Mr. Wong Yan Hung	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Lai Kwok Fai	Interest in a controlled corporation (Note)	2,040,000,000	51%

Note:

These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

ii. Long position in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/Nature	Number of shares held/interested in	Percentage of interest
Mr. Wong Yan Hung	May City	Beneficial interest	40	40%
Mr. Wong Tony Yee Pong	May City	Beneficial interest	30	30%
Mr. Lai Kwok Fai	May City	Beneficial interest	30	30%

Save as disclosed above, as at 31 March 2020, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE 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 interests or short positions in Shares or underlying Shares which would fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% 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 member of the Group:

Name	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
May City	Beneficial interest (Note 1)	2,040,000,000	51%
Ms. Choi Mei Chu	Interest of spouse (Note 2)	2,040,000,000	51%
Ms. Lee Pik Yu, Kenji	Interest of spouse (Note 3)	2,040,000,000	51%
Ms. Mak Kit Ling	Interest of spouse (Note 4)	2,040,000,000	51%

Notes:

1. These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

2. Ms. Choi Mei Chu is the spouse of Mr. Wong Yan Hung and is deemed or taken to be interested in all the Shares in which Mr. Wong Yan Hung has, or is deemed to have, an interest for the purposes of the SFO.

3. Ms. Lee Pik Yu, Kenji is the spouse of Mr. Wong Tony Yee Pong and is deemed or taken to be interested in all the Shares in which Mr. Wong Tony Yee Pong has, or is deemed to have, an interest for the purposes of the SFO.

4. Ms. Mak Kit Ling is the spouse of Mr. Lai Kwok Fai and is deemed or taken to be interested in all the Shares in which Mr. Lai Kwok Fai has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 31 March 2020, no other persons had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 September 2016. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. The maximum number of Shares in respect of which share options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 400,000,000 Shares (representing 10% of Shares in issue as at the date of this report). No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 3 September 2016, and there is no outstanding share option as at 31 March 2020.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Review Year and up to the date of this report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of sales and purchases for the Review Year attributable to the Group's major customers and suppliers are as follow:

Sales	
— the largest customer	54%
— five largest customers	95%
Purchases	
— the largest supplier	22%
— five largest suppliers	57%

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

DONATIONS

During the Review Year, the Group made charitable and other donations amounting to HK$50,000.

RELATED PARTIES

Details of the significant related party transactions undertaken in the normal course of business are set out in note 30 to the consolidated financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 13 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules for the Review Year and up to the date of this report.

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes during the Review Year.

Directors' Report

AUDITORS

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

EVENTS AFTER THE REVIEW YEAR

The Directors confirm that there is no material subsequent event undertaken by the Group after 31 March 2020 and up to the date of this report.

By Order of the Board
Shun Wo Group Holdings Limited
Wong Yan Hung
Chairman

Hong Kong, 30 June 2020

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF
SHUN WO GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shun Wo Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 43 to 89, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets *Refer to Note 2.23, Note 5, Note 7 and Note 17 to the consolidated financial statements*	
We identified recognition of revenue and costs from construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management; • Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined; • Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment applications; • Testing the actual costs incurred on construction works; • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and • Assessing the appropriateness and adequate of the disclosures made in the consolidated financial statements.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Mr. Kwok Kin Leung.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 30 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	**134,392**	231,531
Direct costs		**(140,540)**	(235,802)
Gross loss		**(6,148)**	(4,271)
Other income, other gains and losses	5	**1,090**	678
Change in fair value of financial assets at fair value through profit or loss		**(2,488)**	–
Administrative and other operating expenses		**(22,146)**	(22,519)
Net impairment losses on financial assets and contract assets		**(2,960)**	(38)
Finance costs	6	**–**	(25)
Loss before income tax	7	**(32,652)**	(26,175)
Income tax (expense)/credit	10	**(401)**	1,043
Loss and total comprehensive expense for the year attributable to owners of the Company		**(33,053)**	(25,132)
Loss per share attributable to owners of the Company			
— Basic and diluted loss per share (HK cents)	11	**(0.83)**	(0.63)

Details of dividends are disclosed in note 12 to the consolidated financial statements.

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

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**16,912**	12,431
Right-of-use assets	15	**1,147**	–
		18,059	12,431
Current assets			
Contract assets	17	**38,850**	47,674
Trade and other receivables	18	**20,259**	31,074
Financial assets at fair value through profit or loss	19	**2,274**	–
Bank deposits	20	**–**	2,829
Current income tax recoverable		**753**	1,641
Cash and cash equivalents	21	**39,517**	66,036
		101,653	149,254
Total assets		**119,712**	161,685
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	22	**40,000**	40,000
Reserves	23	**57,884**	90,937
Total equity		**97,884**	130,937
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	27	**369**	856
Current liabilities			
Trade and other payables	25	**21,392**	29,892
Lease liabilities	26	**67**	–
		21,459	29,892
Total liabilities		**21,828**	30,748
Total equity and liabilities		**119,712**	161,685
Net current assets		**80,194**	119,362
Total assets less current liabilities		**98,253**	131,793

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2020 and signed on its behalf by:

Mr. Wong Yan Hung
Director

Mr. Wong Tony Yee Pong
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK$'000 (Note 22)	Share premium HK$'000 (Note 23)	Merger reserve HK$'000 (Note 23)	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2018	40,000	56,625	198	59,246	156,069
Loss and total comprehensive expense for the year	–	–	–	(25,132)	(25,132)
Balance at 31 March 2019	40,000	56,625*	198*	34,114*	130,937
Loss and total comprehensive expense for the year	–	–	–	(33,053)	(33,053)
Balance at 31 March 2020	**40,000**	**56,625***	**198***	**1,061***	**97,884**

* These reserve accounts comprise the consolidated reserves of approximately HK$57,884,000 (2019: HK$90,937,000) in the consolidated statement of financial position.

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash used in operations	28(a)	**(17,224)**	(24,278)
Tax paid		**–**	(280)
Net cash used in operating activities		**(17,224)**	(24,558)
Cash flows from investing activities			
Interest received		**619**	329
Decrease in bank deposits		**2,829**	20,000
Purchases of property, plant and equipment		**(11,663)**	(610)
Proceed from disposal of property, plant and equipment		**–**	560
Net cash (used in)/generated from investing activities		**(8,215)**	20,279
Cash flows from financing activities			
Interest paid		**–**	(25)
Payment of lease liabilities		**(1,080)**	–
Repayment of finance leases liabilities		**–**	(2,698)
Net cash used in financing activities		**(1,080)**	(2,723)
Net decrease in cash and cash equivalents		**(26,519)**	(7,002)
Cash and cash equivalents at the beginning of year		**66,036**	73,038
Cash and cash equivalents at the end of year		**39,517**	66,036

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Shun Wo Group Holdings Limited (the "**Company**") is an investment holding company. The Company and its subsidiaries (collectively referred as to the "**Group**") is principally engaged in undertaking foundation works in Hong Kong.

The Company was incorporated in the Cayman Islands on 3 May 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 28 September 2016.

As at 31 March 2020, its parent and ultimate holding company is May City Holdings Limited ("**May City**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned as to 40% by Mr. Wong Yan Hung ("**Mr. YH Wong**"), 30% by Mr. Wong Tony Yee Pong ("**Mr. Tony Wong**") and 30% by Mr. Lai Kwok Fai ("**Mr. Lai**").

The address of the registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is Flat A, 7th Floor, Sai Wan Ho Plaza, 68 Shaukeiwan Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements set out in this report have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

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

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

(i) HKFRS 16 Leases — Impact of adoption

The Group has adopted HKFRS 16 *Leases* retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The right-of-use assets were recognised at amount equal to the related lease liabilities adjusted by any prepaid or accrued lease payments.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)–Int 4 *Determining whether an Arrangement contains a Lease.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures (continued)

(a) New and amended standards and interpretations adopted by the Group (continued)

(iii) Measurement of lease liabilities and right-of-use assets

	HK'000
Operating lease commitments disclosed as at 31 March 2019	343
Less: short-term leases not recognised as a liability	(343)
Lease liabilities recognised as at 1 April 2019	–

As at 1 April 2019, the Group only had lease arrangement with remaining lease term within 12 months. No right-of-use assets was recognised as at 1 April 2019.

There is no impact of transition to HKFRS 16 on the assets, liabilities and retained earnings at the date of initial application.

(iv) Lessor accounting

The Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17, the Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(b) New and amended standards in issue but not yet effective and not been early adopted

A number of new and amended standards have been published that are not mandatory for the year ended 31 March 2020 and have not been early adopted by the Group.

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

1 Effective for annual periods beginning on or after 1 January 2020.

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 1 January 2021.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 June 2020.

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

The directors of the Company anticipate that the application of all these new and amendments will have no material impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principal of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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

2.4 Business combinations

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other income, other gains and losses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Leasehold improvements	Over shorter of lease terms or 20%
Furniture, fixtures and office equipment	20%
Plant, machinery and equipment	20%
Motor vehicles	30%

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment and other financial assets

(i) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss), and
- those to be measured at amortised cost.

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

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

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment and other financial assets (continued)

(iv) Impairment (continued)

Impairment on other receivables is measured as either 12-month ("**12m**") expected credit losses ("**ECL**") or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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.

Despite the aforegoing, 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.

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

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

- actual or expected significant changes in the operating results of the debtors.

- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the Group and historical credit loss experience.

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

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less impairment losses.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing cost are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Retirement benefits

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

Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.20 Share-based payments

Share-based compensation benefits are provided to employees via an employee share scheme. Information relating to the scheme is set out in note 24.

The fair value of options granted under the scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Contingent liabilities and continent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.23 Revenue recognition

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

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

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

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

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

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

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

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

In respect of contract modifications, including changes in the scope or price (or both) of a contract that is approved by the parties to the contract, that are not accounted for as separate contracts, the promised goods or services that are not yet transferred at the date of the contract modification (i.e. the remaining promised goods or services) which are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification, are accounted for by treating the contract modification as if it were a part of the existing contract. The effect that the contract modification has on the transaction price, and on the Group's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis).

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not 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 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 a contract are accounted for and presented on a net basis.

Revenue from construction contracts is described in the accounting policy on construction contracts below.

Rental income from leased machineries are recognised in profit or loss on a straight-line basis over the lease.

Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.24 Construction contracts

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

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, based on direct measurement of the value of contract work performed, provided that the value of contract work performed can be measured reliably. The value of contract work performed is measured according to the completion of specific detailed components as set out in the contract. Variations in contract work are recognised as contract revenue to the extent that the modification has been approved by the parties to the contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (application from 1 April 2019)

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

The Group leases various premises and car parks and rental contracts are typically made for fixed periods of 12 to 24 months. In addition, the Group also leases certain machineries for its operation. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (application before 1 April 2019)

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.27 Related parties

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

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Related parties (continued)

(b) (Continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: price risk, interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Price risk

The Group's exposure to securities price risk arises from investment held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss.

To manage its price risk arising from investments in securities, the Group closely monitor the price risk and will consider hedging the risk exposure should the need arise.

The majority of the Group's investments are publicly traded exchange traded fund listed in the United States of America ("**USA**").

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to securities price risk at the end of the reporting period.

If prices have been 10 % higher/lower:

- Loss for the year ended 31 March 2020 would decrease/increase by approximately HK$227,000. This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities.

Other than bank balances with variable interest rates, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group currently does not hedge its exposure to the interest rate risk as the management of the Group consider that the risk is insignificant.

Credit risk

Credit risk arises mainly from contract assets, trade and other receivables, bank deposits and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on the Group's customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the ECL model on its financial assets and contract assets. In this regard, management considers that the Group's credit risk is significantly reduced.

The loss allowance for trade receivables and contract assets were determined as follows:

	Weighted average expected credit loss rate	**Gross carrying amount**	**Expected credit losses**	**Net carrying amount**
		HK$'000	HK$'000	HK$'000
At 31 March 2020				
Trade receivables	**8.18%**	**16,780**	**1,373**	**15,407**
Contract assets	**5.74%**	**41,217**	**2,367**	**38,850**
At 31 March 2019				
Trade receivables	1.86%	25,656	477	25,179
Contract assets	0.63%	47,977	303	47,674

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Credit risk (continued)

The closing loss allowance for trade receivables and contract assets as at 31 March 2020 and 2019 reconcile to the opening loss allowance are as follows:

	Trade receivables Life-time ECL (not credit impaired) HK$'000	Contract assets Life-time ECL (not credit Impaired) HK$'000
At 1 April 2018	524	218
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(47)	85
At 31 March 2019	477	303
Increase in loss allowance recognised in profit or loss during the year	896	2,064
At 31 March 2020	**1,373**	**2,367**

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on these assets are assessed individually and/or collectively with appropriate groupings based on same risk characteristics. The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information such as macroeconomic factors that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

When trade receivables and contract assets are uncollectible, it is written off against the allowance account. Trade receivables and contracts assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Subsequent recoveries of amounts previously written off are credited against credit impairment loss in the consolidated statement of profit or loss and other comprehensive income.

The Group performs impairment assessment under the ECL model on other receivables, bank deposits and cash and cash equivalents. The ECL on these assets are based on 12m ECL as there have been no significant increase in credit risk since initial recognition.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors are of the opinion the risk of default by the counterparties of other receivables is not significant.

The credit risk of bank deposits and bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

As at 31 March 2020, there were 2 (2019: 3) customers which individually contributed over 10% of the Group's trade and other receivables and contract assets. The aggregate amounts of trade and other receivables and contract assets from these customers amounted to approximately 84.5% (2019: 85.5%) of the Group's total trade and other receivables and contract assets as at 31 March 2020.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Credit risk (continued)

Other than concentration of credit risk on liquid funds which are deposited with banks with sound credit ratings or good reputation and on trade and other receivables and contract assets as disclose above, the Group does not have any other significant concentration of credit risk.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long terms. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay:

	On demand or within one year	Over one year	Total undiscounted cash flows	Total carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2020				
Trade and other payables	**21,392**	**–**	**21,392**	**21,392**
Lease liabilities	**67**	**–**	**67**	**67**
	21,459	**–**	**21,459**	**21,459**
As at 31 March 2019				
Trade and other payables	29,892	–	29,892	29,892

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

The gearing ratios of the Group are as follows:

	2020 **HK$'000**	2019 HK$'000
Total borrowings	**–**	–
Total equity	**97,884**	130,937
Gearing ratio	**0%**	0%

3.3 Fair values estimates

The fair value measurements are categorised under the three-level fair value hierarchy as defined in HKFRS 13 *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values estimates (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table presents the Group's financial assets that are measured at fair value at 31 March 2020:

	Level 1 HK$'000	Total HK$'000
Assets		
Financial assets at fair value through profit or loss		
— Listed exchange traded fund	**2,274**	**2,274**

The fair value of the Group's listed exchange trade fund is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

There were no transfers between level 1 and 2 and no transfer into or out of level 3 during the reporting period.

As at 31 March 2019, the Group did not have any assets and liabilities that are measured at the above fair value measurement hierarchy.

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

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position are not materially different from their fair values at 31 March 2020 and 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Impairment of financial assets and contract assets

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Progress towards completion of construction works

The Group recognises its contract revenue over time by reference to the progress towards complete satisfaction of a performance obligation of the end of the reporting period, measured based on the surveys of work performed to date of the individual contract of construction works relative to total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

Impairment of non-financial assets

The Group reviews the carrying amounts of property, plant and equipment and right-of-use assets at the end of each reporting period to determine whether there is an objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flows to assess the difference between the carrying amounts and their recoverable amounts and provided for impairment loss. Any change in the assumptions adopted in the discounted cash flows would increase or decrease in the impairment loss and affect the Group's net asset value and profit or loss.

For the year ended 31 March 2020

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income, other gains and losses recognised during the reporting period are as follows:

	2020 HK$'000	2019 HK$'000
Revenue		
Main contracting	**74,839**	46,019
Sub-contracting	**59,553**	185,512
	134,392	231,531
Other income, other gains and losses		
Rental income	**201**	179
Gain on disposal of property, plant and equipment	**–**	51
Net foreign exchange loss	**(9)**	–
Interest income	**619**	329
Others	**279**	119
	1,090	678

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
Over-time	**134,392**	231,531
Types of goods and services		
Foundation work services	**134,392**	231,531

Performance obligations for contracts with customers

The Group provides foundation work services to customers. Such services are recognised as a performance obligation satisfied over-time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these services is therefore recognised over-time using output method, i.e. based on surveys of the relevant services completed by the Group to date with reference to certificates issued by customers or payment applications. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

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

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts are not disclosed.

Segment information

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews consolidated financial statements accordingly. Also, the Group only engages its business in Hong Kong and all the non-current assets of the Group are located in Hong Kong. Therefore, no segment and geographical information is presented.

Information about the major customers

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

	2020 HK$'000	2019 HK$'000
Customer A	**72,084**	46,019
Customer B	**41,718**	88,568
Customer C	**N/A**[1]	73,832

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group.

6. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on finance leases	**–**	25

For the year ended 31 March 2020

7. LOSS BEFORE INCOME TAX

	2020 HK$'000	2019 HK$'000
Included in direct costs:		
Depreciation of owned assets (Note 14)	**4,620**	4,794
Depreciation of assets under finance leases (Note 14)	**–**	634
Staff costs (Note 8)	**28,759**	31,035
Operating lease rental classified as operating leases under HKAS 17 in respect of		
— Plant and machinery	**–**	3,751
— Others	**–**	28
Expense relating to short-term leases not included in the measurement of lease liabilities	**134**	–
Included in administrative and other operating expenses:		
Auditors' remuneration	**750**	780
Depreciation of owned assets (Note 14)	**2,562**	1,997
Depreciation of assets under finance leases (Note 14)	**–**	127
Operating lease rental classified as operating leases under HKAS 17 in respect of		
— Premises	**–**	1,476
— Car parks	**–**	139
Expense relating to short-term lease not included in the measurement of lease liabilities	**1,886**	–
Staff costs, including directors' emoluments (Note 8)	**11,925**	12,347

8. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**39,605**	42,163
Retirement scheme contributions		
— Defined contribution plan	**1,079**	1,219
	40,684	43,382

The Group operates a defined contribution scheme in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

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9. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the years ended 31 March 2020 and 2019 is set out below:

	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2020					
Executive directors					
Mr. YH Wong	**510**	**1,440**	**120**	**18**	**2,088**
Mr. Tony Wong					
(Chief executive officer)	**500**	**1,200**	**100**	**18**	**1,818**
Mr. Lai	**500**	**1,200**	**100**	**18**	**1,818**
Mr. Lam Joseph Chok (Note)	**–**	**250**	**–**	**8**	**258**
Independent non-executive directors					
Mr. Law Ka Ho	**150**	**–**	**–**	**–**	**150**
Mr. Leung Wai Lim	**150**	**–**	**–**	**–**	**150**
Mr. Tam Wai Tak Victor	**150**	**–**	**–**	**–**	**150**
	1,960	**4,090**	**320**	**62**	**6,432**
Year ended 31 March 2019					
Executive directors					
Mr. YH Wong	–	2,080	45	18	2,143
Mr. Tony Wong					
(Chief executive officer)	–	1,960	40	18	2,018
Mr. Lai	–	1,960	40	18	2,018
Mr. Lam Joseph Chok (Note)	–	600	–	18	618
Independent non-executive directors					
Mr. Law Ka Ho	150	–	–	–	150
Mr. Leung Wai Lim	150	–	–	–	150
Mr. Tam Wai Tak Victor	150	–	–	–	150
	450	6,600	125	72	7,247

Note: Mr. Lam Joseph Chok resigned from his position as executive director of the Company with effect from 1 September 2019.

During the year ended 31 March 2020, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2020 (2019: nil).

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9. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, 3 (2019: 3) of them are directors of the Company whose emoluments are disclosed above. The emoluments in respect of the remaining 2 (2019: 2) highest paid individuals are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and other benefits in kind	**1,709**	1,405
Discretionary bonuses	**250**	135
Retirement scheme contributions	**15**	33
	1,974	1,573

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**1**	–
	2	2

During the years ended 31 March 2020 and 2019, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

10. INCOME TAX EXPENSE/(CREDIT)

	2020 HK$'000	2019 HK$'000
Current income tax		
— Hong Kong profits tax	**–**	–
— Under-provision in prior years	**888**	–
Deferred income tax (Note 27)	**(487)**	(1,043)
Income tax expense/(credit)	**401**	(1,043)

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, Hong Kong profits tax of the qualifying group entity is calculated at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Other subsidiaries of the Company are subjected to Hong Kong profits tax at the rate of 16.5% for the year ended 31 March 2020.

For the year ended 31 March 2020

10. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
Loss before income tax	**(32,652)**	(26,175)
Calculated at a tax of 16.5%	**(5,387)**	(4,319)
Tax effects of:		
— Income not subject to tax	**(110)**	(54)
— Expenses not deductible for tax purposes	**1,113**	505
— Utilisation of previously unrecognised tax losses	**–**	(1,019)
— Others	**199**	(92)
— Tax loss not recognised	**3,698**	3,936
— Under-provision in prior years	**888**	–
Income tax expense/(credit)	**401**	(1,043)

11. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Loss attributable to owners of the Company (HK$'000)	**(33,053)**	(25,132)
Weighted average number of ordinary shares in issue (thousands of shares)	**4,000,000**	4,000,000
Basic loss per share (HK cents)	**(0.83)**	(0.63)

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2020 and 2019.

12. DIVIDENDS

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 March 2020 (2019: nil).

For the year ended 31 March 2020

13. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid-up share capital	Proportion of ownership interest held by the Company	Principal activities
Umma Floral Limited ("**Umma Floral**")	BVI	United States Dollars ("**US$**") 10	100% (direct)	Investment holding
Hop Kee Construction Company Limited ("**Hop Kee Construction**")	Hong Kong	HK$100,000	100% (indirect)	Provision of foundation works in Hong Kong
Hop Kee Machinery Transportation Company Limited ("**Hop Kee Machinery**")	Hong Kong	HK$100,000	100% (indirect)	Acquisition and holding of plant and machinery of the Group
Hop Kee Construction Company Limited ("**Hop Kee Construction (BVI)**")	BVI	US$1	100% (indirect)	Handling intellectual property and other administrative matters of the Group

For the year ended 31 March 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
As at 1 April 2018	546	529	34,889	3,182	39,146
Additions	–	–	610	–	610
Disposals	–	–	(385)	(200)	(585)
As at 31 March 2019	546	529	35,114	2,982	39,171
Accumulated depreciation					
As at 1 April 2018	(333)	(298)	(16,986)	(1,647)	(19,264)
Charge for the year (Note 7)	(128)	(85)	(6,703)	(636)	(7,552)
Disposals	–	–	71	5	76
As at 31 March 2019	(461)	(383)	(23,618)	(2,278)	(26,740)
Net book value					
As at 31 March 2019	85	146	11,496	704	12,431
Cost					
As at 1 April 2019	546	529	35,114	2,982	39,171
Additions	–	–	11,582	81	11,663
Disposals	–	–	–	(338)	(338)
As at 31 March 2020	**546**	**529**	**46,696**	**2,725**	**50,496**
Accumulated depreciation					
As at 1 April 2019	(461)	(383)	(23,618)	(2,278)	(26,740)
Charge for the year (Note 7)	(85)	(79)	(6,477)	(541)	(7,182)
Disposals	–	–	–	338	338
As at 31 March 2020	**(546)**	**(462)**	**(30,095)**	**(2,481)**	**(33,584)**
Net book value					
As at 31 March 2020	**–**	**67**	**16,601**	**244**	**16,912**

For the year ended 31 March 2020

15. RIGHT-OF-USE ASSETS

	Car parks HK$'000	Premises HK$'000	Total HK$'000
Cost			
As at 1 April 2019, upon adoption of HKFRS 16	–	–	–
Additions	67	1,080	1,147
As at 31 March 2020	**67**	**1,080**	**1,147**
Accumulated depreciation			
As at 1 April 2019 and 31 March 2020	–	–	–
Net book value			
As at 31 March 2020	**67**	**1,080**	**1,147**

The right-of-use assets are depreciated over the lease term.

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases:

	2020 **HK$'000**
Expense related to short-term leases	**2,020**

Short-term leases are leases related to office premises, car parks and machineries.

For the year ended 31 March 2020

16. FINANCIAL INSTRUMENTS BY CATEGORY

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
Listed exchange traded fund	**2,274**	–
At amortised cost		
Trade and other receivables excluding prepayments	**19,916**	30,651
Bank deposits	**–**	2,829
Cash and cash equivalents	**39,517**	66,036
	61,707	99,516
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**21,392**	29,892
Lease liabilities	**67**	–
	21,459	29,892

17. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Contract assets	**41,217**	47,977
Less: allowance for credit losses	**(2,367)**	(303)
	38,850	47,674

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

As at 31 March 2020, included in carrying amount of contract assets comprises retention money held by customers for construction work amounted to approximately HK$20,080,000 (2019: HK$18,422,000), of which approximately HK$5,027,000 (2019: HK$9,706,000), is unsecured, interest-free and expected to be recovered or settled in more than twelve months from the end of reporting period.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for contract assets. To measure the expected credit losses, contract assets have been grouped based on same credit risk characteristics.

See note 3.1 for further information about expected credit loss provision.

For the year ended 31 March 2020

18. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**16,780**	25,656
Less: allowance for credit losses	**(1,373)**	(477)
	15,407	25,179
Other receivables, deposits and prepayments	**4,852**	5,895
	20,259	31,074

Notes:

(a) The credit period granted to customers ranges from 14 to 32 days (2019: 30 to 32 days) generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of trade receivables, net of allowance for credit losses based on date of payment certificates issued by customers or invoice date, whichever is applicable, are as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	**5,758**	6,361
31–60 days	**1,123**	6,517
61–90 days	**1,765**	8,962
Over 90 days	**6,761**	3,339
	15,407	25,179

(c) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on same credit risk characteristics.

See note 3.1 for further information about expected credit loss provision.

(d) Included in the other receivables, deposits and prepayments at 31 March 2020 are cash collateral of approximately HK$3,659,000 (2019: nil) placed with insurance companies in Hong Kong for the provision of the surety bonds for certain of the Group's construction projects.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 HK$'000
Financial assets measured at FVPL:		
Listed exchange traded fund	**2,274**	–

The exchange traded fund is listed on the New York Stock Exchange and denominated in US$.

20. BANK DEPOSITS

	2020 **HK$'000**	2019 HK$'000
Non-pledged bank deposits (Note)	**–**	2,829

Note: The effective interest rate for the non-pledged bank deposit was 0.3% per annum as at 31 March 2019. The carrying amount of non-pledged bank deposits was denominated in HK$.

21. CASH AND CASH EQUIVALENTS

	2020 **HK$'000**	2019 HK$'000
Cash at banks	**29,517**	66,036
Short-term bank deposit	**10,000**	–
Cash and cash equivalents	**39,517**	66,036

Notes:

(a) The carrying amount of cash and cash equivalents are denominated in HK$.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(c) Short-term bank deposits carry interest rate at 1.30 % per annum as at 31 March 2020 and with original maturities within 3 months.

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22. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 March 2020 and 2019	**10,000,000,000**	**100,000**
Issued and fully paid:		
As at 31 March 2020 and 2019	**4,000,000,000**	**40,000**

23. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation.

24. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 3 September 2016. The Share Option Scheme is to attract and retain the best personnel, to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants, advisors, substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors of the Company (or as the case maybe, the independent non-executive directors of the Company) from time to time on the basis of the directors' opinion as to their contribution or potential to the development and growth of the Group.

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at anytime by approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

24. SHARE OPTION SCHEME (CONTINUED)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of 10 years commencing on 3 September 2016, subject to early termination provisions contained in the Scheme.

No share options were granted, exercised, cancelled or lapsed since the adoption of the Scheme and there were no share option outstanding as at 31 March 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

25. TRADE AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables	**12,497**	20,044
Retention payables (Note (b))	**6,237**	5,233
Accruals and other payables	**2,658**	4,615
	21,392	29,892

Notes:

(a) Payment terms granted by suppliers are generally within two months.

The ageing analysis of trade payables based on invoice date are as follows:

	2020 **HK$'000**	2019 HK$'000
0–30 days	**7,483**	12,681
31–60 days	**4,829**	6,240
61–90 days	**121**	625
Over 90 days	**64**	498
	12,497	20,044

(b) Except for an amount of approximately HK$3,089,000 (2019: HK$1,108,000), all of the remaining balances are expected to be settled within one year.

(c) All trade and other payables are denominated in HK$.

26. LEASE LIABILITIES

	2020 **HK$'000**
Lease liabilities payable:	
Within one year	**67**
	67

The Group leased car parks with lease term of 2 years.

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27. DEFERRED TAX LIABILITIES

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	ECL provision HK$'000	Tax losses HK$'000	Tax depreciation HK$'000	Total HK$'000
As at 1 April 2018	(102)	(142)	2,143	1,899
Charged/(Credited) to profit or loss (Note 10)	102	142	(1,287)	(1,043)
As at 31 March 2019	–	–	856	856
(Credited)/Charged to profit or loss (Note 10)	(617)	(629)	759	(487)
As at 31 March 2020	**(617)**	**(629)**	**1,615**	**369**

As at 31 March 2020, the Group has estimated unused tax losses of approximately HK$51,915,000, which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to net cash used in operations

	2020 HK$'000	2019 HK$'000
Loss before income tax	**(32,652)**	(26,175)
Adjustments for:		
Depreciation of property, plant and equipment	**7,182**	7,552
Interest expense	**–**	25
Interest income	**(619)**	(329)
Net impairment losses on financial assets and contract assets	**2,960**	38
Gain on disposal of property, plant and equipment	**–**	(51)
Operating profit before working capital changes	**(23,129)**	(18,940)
Decrease in financial assets at fair value through profit or loss	**(2,274)**	–
Decrease in trade and other receivables	**9,920**	9,775
Increase in bank deposits	**–**	(17)
Decrease/(increase) in contract assets	**6,759**	(26,437)
(Decrease)/increase in trade and other payables	**(8,500)**	11,341
Net cash used in operations	**(17,224)**	(24,278)

For the year ended 31 March 2020

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or further cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities HK$'000	Finance lease liabilities HK$'000	Total HK$'000
As at 1 April 2018	–	2,698	2,698
Changes from financing cash flows:			
Capital element of finance lease rentals paid	–	(2,698)	(2,698)
Interest element of finance lease rentals paid	–	(25)	(25)
Other changes:			
Financial charges on finance lease liabilities	–	25	25
As at 31 March 2019	–	–	–
Addition from new leases	1,147	–	1,147
Payment of lease liabilities	(1,080)	–	(1,080)
As at 31 March 2020	**67**	**–**	**67**

(c) Cash outflows for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020 HK$'000
Within operating cash flows	**4,047**
Within financing cash flows	**1,080**
	5,127

For the year ended 31 March 2020

29. COMMITMENTS

Operating lease commitments — Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	343

As at 31 March 2019, operating lease related to office premises with initial lease term of three years.

30. RELATED PARTY TRANSACTIONS

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

(a) The directors of the Company are of the view that the following company that had transactions with the Group is a related party:

Name	**Relationship with the Group**
Hop Kee Development Co., Limited	A related company owned by Mr. YH Wong and Mr. Tony Wong as to 50% and 30% respectively
Shun Tai Holdings Limited	A related company owned by Mr. YH Wong, Mr. Tony Wong and Mr. Lai as to 40%, 30% and 30% respectively

(b) Transactions with related parties

	Notes	**2020** **HK$'000**	2019 HK$'000
Rental of office and car parks paid to:			
Hop Kee Development Co., Limited	i	**468**	276
Rental of warehouse paid to:			
Shun Tai Holdings Limited	i	**1,080**	720
Prepaid warehouse rental paid to:			
Shun Tai Holdings Limited	ii	**1,080**	–

Notes:

(i) The rental expenses for office premises, car parks and warehouse payable to the above related parties are based on the agreements entered into between the parties involved with lease term of 12 months.

(ii) Prepaid warehouse rental of approximately of HK$1,080,000 was recognised in right-of-use assets (Note 15).

(c) The emoluments of the directors (representing the key management personnel) during the years ended 31 March 2020 and 2019 are disclosed in note 9.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	–*	–*
Current assets		
Other receivables and prepayments	331	327
Amounts due from subsidiaries	76,339	86,710
Bank balances	521	1,271
	77,191	88,308
Total assets	77,191	88,308
EQUITY		
Capital and reserves		
Share capital	40,000	40,000
Reserves	37,064	48,002
Total equity	77,064	88,002
LIABILITIES		
Current liabilities		
Accruals	127	306
Total liabilities	127	306
Total equity and liabilities	77,191	88,308
Net current assets	77,064	88,002
Total assets less current liabilities	77,064	88,002

* Represent — amount less than HK$1,000

The Company's statement of financial position were approved and authorised for issue by the board of directors on 30 June 2020 and signed on its behalf by:

Mr. Wong Yan Hung
Director

Mr. Wong Tony Yee Pong
Director

For the year ended 31 March 2020

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2018	56,625	(2)	(5,826)	50,797
Loss and total comprehensive expense for the year	–	–	(2,795)	(2,795)
As at 31 March 2019	56,625	(2)	(8,621)	48,002
Loss and total comprehensive expense for the year	–	–	(10,938)	(10,938)
As at 31 March 2020	**56,625**	**(2)**	**(19,559)**	**37,064**

Summary of Financial Information

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

RESULTS

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**134,392**	231,531	131,781	218,648	192,154
Direct costs	**(140,540)**	(235,802)	(106,247)	(167,403)	(146,465)
Gross (loss)/profit	**(6,148)**	(4,271)	25,534	51,245	45,689
Other income, other gains and losses	**1,090**	678	2,287	1,497	880
Change in fair value of financial assets at fair value through profit or loss	**(2,488)**	–	–	–	–
Administrative and other operating expenses	**(22,146)**	(22,519)	(21,042)	(28,226)	(13,962)
Net impairment losses on financial assets and contract assets	**(2,960)**	(38)	–	–	–
Finance costs	**–**	(25)	(218)	(435)	(283)
(Loss)/profit before income tax	**(32,652)**	(26,175)	6,561	24,081	32,324
Income tax (expense)/credit	**(401)**	1,043	(999)	(5,923)	(6,771)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company	**(33,053)**	(25,132)	5,562	18,158	25,553

ASSETS AND LIABILITIES

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**18,059**	12,431	19,882	20,557	22,645
Current assets	**101,653**	149,254	165,881	155,962	84,619
Non-current liabilities	**(369)**	(856)	(2,143)	(4,971)	(10,178)
Current liabilities	**(21,459)**	(29,892)	(21,249)	(14,739)	(35,057)
Equity attributable to owners of the Company	**97,884**	130,937	162,371	156,809	62,029