

FULLWEALTH INTERNATIONAL GROUP HOLDINGS LIMITED

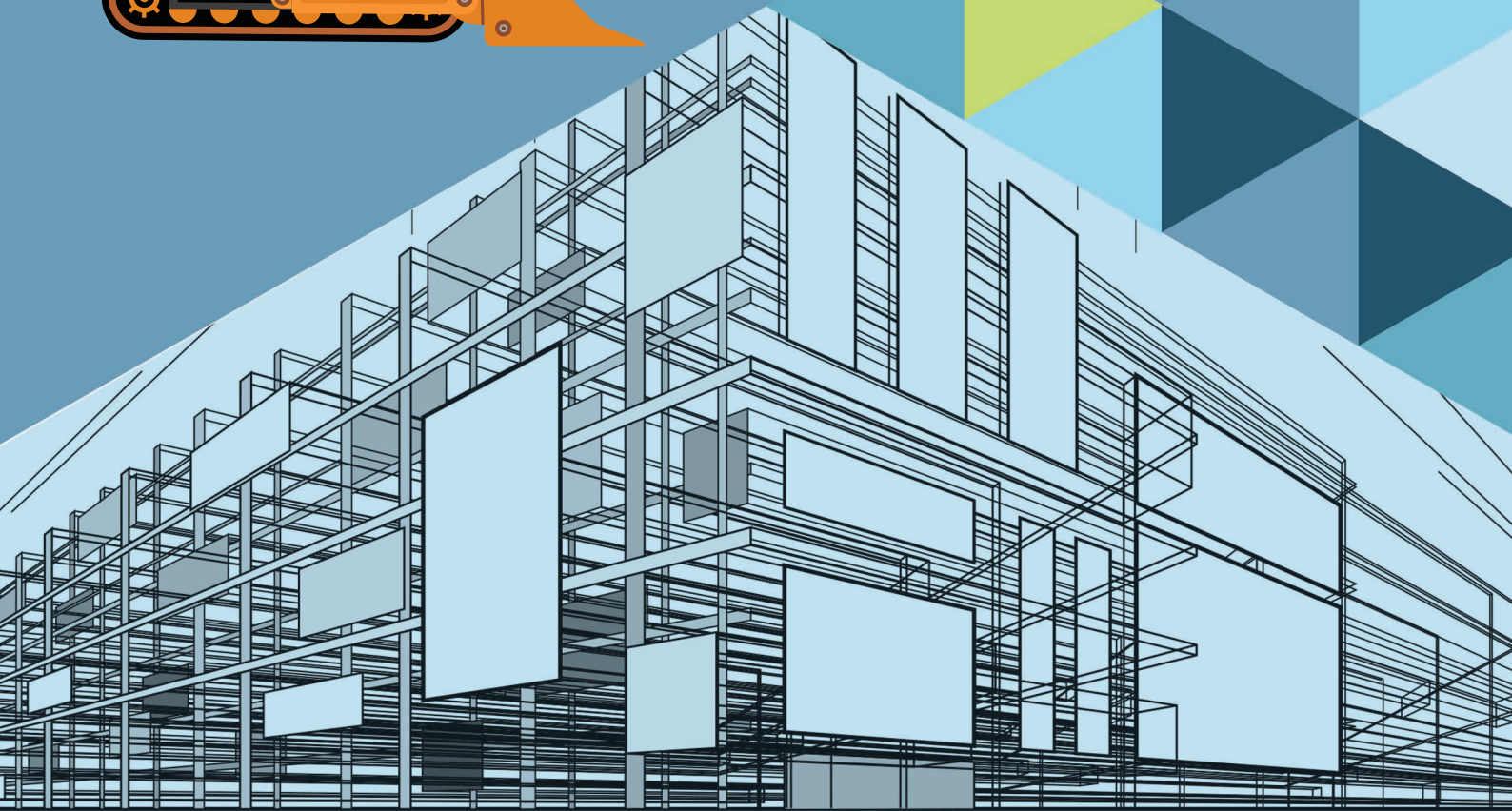
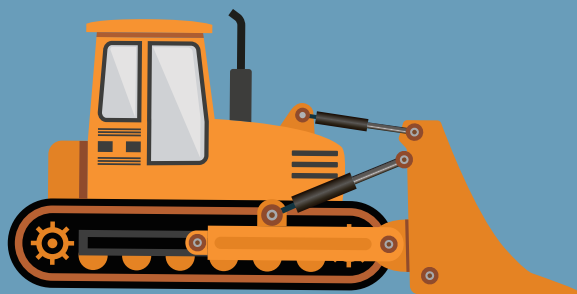
富匯國際集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1034

2020

ANNUAL REPORT



Contents

Corporate Information	2
Chairman’s Statement	4
Management Discussion and Analysis	5
Biographical Details of Directors and Senior Management	10
Corporate Governance Report	14
Directors’ Report	24
Independent Auditor’s Report	35
Consolidated Statement of Profit or Loss and Other Comprehensive Income	39
Consolidated Statement of Financial Position	40
Consolidated Statement of Changes in Equity	41
Consolidated Statement of Cash Flows	42
Notes to the Consolidated Financial Statements	43
Financial Summary	90



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Liu Xinyi (*Chief Executive Officer*)
(appointed on 14 January 2021)
Mr. Wong Chun Man (appointed on 14 January 2021)
Mr. Law Fu Keung (resigned on 14 January 2021)
Ms. Cheng Fung Yi (resigned on 14 January 2021)

Non-executive Director

Ms. Ma Xiaoqiu (*Chairman*) (appointed on 14 January 2021)

Independent Non-executive Directors

Mr. Chen Wen (appointed on 14 January 2021)
Mr. Leung Ho Chi (appointed on 14 January 2021)
Mr. Peng Peng (appointed on 14 January 2021)
Ms. Li On Lei (resigned on 14 January 2021)
Ms. Shum Wing Ting (resigned on 14 January 2021)
Mr. Law Kam Chuen (resigned on 14 January 2021)

BOARD COMMITTEES

Audit Committee

Mr. Leung Ho Chi (*Chairman*) (appointed on 14 January 2021)
Mr. Chen Wen (appointed on 14 January 2021)
Mr. Peng Peng (appointed on 14 January 2021)
Ms. Li On Lei (resigned on 14 January 2021)
Mr. Law Kam Chuen (resigned on 14 January 2021)
Ms. Shum Wing Ting (resigned on 14 January 2021)

Remuneration Committee

Mr. Chen Wen (*Chairman*) (appointed on 14 January 2021)
Mr. Wong Chun Man (appointed on 14 January 2021)
Ms. Ma Xiaoqiu (appointed on 14 January 2021)
Mr. Leung Ho Chi (appointed on 14 January 2021)
Mr. Peng Peng (appointed on 14 January 2021)
Mr. Law Kam Chuen (resigned on 14 January 2021)
Mr. Law Fu Keung (resigned on 14 January 2021)
Ms. Cheng Fung Yi (resigned on 14 January 2021)
Ms. Li On Lei (resigned on 14 January 2021)
Ms. Shum Wing Ting (resigned on 14 January 2021)

Nomination Committee

Ms. Ma Xiaoqiu (*Chairman*) (appointed on 14 January 2021)
Ms. Liu Xinyi (appointed on 14 January 2021)
Mr. Chen Wen (appointed on 14 January 2021)
Mr. Leung Ho Chi (appointed on 14 January 2021)
Mr. Peng Peng (appointed on 14 January 2021)
Mr. Law Fu Keung (resigned on 14 January 2021)
Ms. Cheng Fung Yi (resigned on 14 January 2021)
Ms. Li On Lei (resigned on 14 January 2021)
Mr. Law Kam Chuen (resigned on 14 January 2021)
Ms. Shum Wing Ting (resigned on 14 January 2021)

COMPANY SECRETARY

Mr. Wong Chin Ming (appointed on 1 February 2021)
Mr. Chow Chi Keung (resigned on 1 February 2021)

AUTHORISED REPRESENTATIVES

Ms. Liu Xinyi (appointed on 14 January 2021)
Mr. Wong Chun Man (appointed on 14 January 2021)
Mr. Law Fu Keung (resigned on 14 January 2021)
Mr. Chow Chi Keung (resigned on 14 January 2021)

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Shops 11-12, G/F
Leung Choy Building
2-44 Ping Fai Path
Yuen Long
New Territories, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

COMPLIANCE ADVISER

Frontpage Capital Limited
26th Floor
Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

Corporate Information

LEGAL ADVISER AS TO HONG KONG LAW

CFN Lawyers in association with Broad & Bright
Units 4101-4104, 41st Floor
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
United Overseas Bank Limited, Hong Kong Branch

AUDITOR

Crowe (HK) CPA Limited
9th Floor
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.fullwealth.hk

STOCK CODE

1034

Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Fullwealth International Group Holdings Limited (formerly known as Fullwealth Construction Holdings Company Limited) (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), I am pleased to present the annual report of the Group for the year ended 31 December 2020 (the “**Year**”).

The Group is a contractor engaging in civil engineering and building works in Hong Kong. During the Year, the Group continued to focus on site formation, excavation and lateral support works and pile cap construction, and roads and drainage and waterworks. The Group also undertook building works this year since it was registered as a Registered General Building Contractor with the Buildings Department in 2017.

In 2020, the Group, as a contractor engaging in building works in Hong Kong, faced great challenges in respect of business environment as a result of drastic impacts brought by the novel coronavirus on the Hong Kong economy and intensified market competition. The Group's revenue for the Year amounted to approximately HK\$271.4 million, representing a decrease of approximately HK\$282.0 million or approximately 51.0% from that of the corresponding period in 2019. The Group's loss for the Year amounted to approximately HK\$73.4 million as compared with a profit of approximately HK\$7.2 million for the corresponding period in 2019. The Group has been actively monitoring market conditions and taking appropriate measures to mitigate the impact resulted from unfavorable market factors.

Looking ahead, it is expected that the COVID-19 pandemic can be contained with the introduction of vaccines, which is beneficial to the Hong Kong economy. The Group will focus on its existing businesses, while striving to explore new business opportunities, in order to obtain new sources of income and enhance its profitability. In view of further development and expansion of the Group's business scope, the new name of the Company “Fullwealth International Group Holdings Limited” (“富匯國際集團控股有限公司”) provides a more suitable corporate image and strategic direction to the Company.

Lastly, on behalf of the Board, I would like to take this opportunity to express my gratitude to all our shareholders, customers, employees, subcontractors, suppliers, and business partners for their continuous support.

Ma Xiaoqiu
Chairman

31 March 2021



Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group has a long history of undertaking civil engineering works in Hong Kong with operation history since 1997. The Group's civil engineering works can be broadly categorized as (i) site formation; (ii) excavation and lateral support works and pile cap construction; and (iii) roads and drainage and waterworks. The Group is able to undertake civil engineering works as either a main contractor or a subcontractor. The Group is also qualified to carry out private sector building works as well as alteration and additions works as a main contractor.

During the Year, the Group was awarded 5 projects with total initial contract sum of approximately HK\$187.7 million. As at 31 December 2020, the Group had 7 projects on hand and the total initial contract sum of which amounted to approximately HK\$227.1 million.

The construction industry was full of challenges during the Year. The global outbreak of the novel coronavirus COVID-19 ("COVID-19") caused unprecedented disruptions in business operations and the Hong Kong economy as a whole. The impact of the outbreak of COVID-19 resulted in delays in the work schedule of construction projects of the Group on hand and under construction.

The Board has been actively monitoring market conditions and taking appropriate measures to mitigate any negative impact on the business and performance of the Group. The Group will continue to strengthen its cost control measures and resources management policies, and actively participate in tendering and bidding to maintain its market competitiveness. Despite the difficulties encountered, the Board is conservatively optimistic that the Group's construction business would gradually recover as a result of the long-term housing development and land policy in Hong Kong.

FINANCIAL REVIEW

The Group's revenue decreased from approximately HK\$553.4 million for the year ended 31 December 2019 to approximately HK\$271.4 million for the Year, representing a decrease of approximately 51.0%. Such decrease in revenue was mainly due to the lower contract sum of some of the Group's projects finished during the year ended 31 December 2020.

The Group recorded a gross loss for the Year amounted to approximately HK\$54.9 million as compared with gross profit of approximately HK\$13.7 million for the year ended 31 December 2019. The gross loss was mainly due to:

- (1) increased competition in the market; and
- (2) the outbreak of COVID-19 which slowed down the progress of certain projects leading to an increase in construction costs as a result of the prolonged retention of the required site workforce and disruption of delivery of construction materials.

Other income was decreased by 44.1% from approximately HK\$11.5 million for the year ended 31 December 2019 to approximately HK\$6.4 million for the Year. The decrease in other income was mainly due to the decrease in profit from leasing of plant and equipment as a decreasing number of plant and equipment has been rented out during the Year. The Group received government grants of approximately HK\$3.7 million. The government grants mainly included subsidy under the Employment Support Scheme. During the Year, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region.

General and administrative expenses were increased from approximately HK\$14.9 million for the year ended 31 December 2019 to approximately HK\$19.9 million for the Year. It was mainly due to the increase of depreciation charges and legal and professional fees for the Year.

Management Discussion and Analysis

The impairment loss on other receivables was approximately HK\$4.7 million for the Year (31 December 2019: Nil). It arose from disputes for the leasing of the Group's plant and equipment resulting in an increase in loss allowance of approximately HK\$4.7 million.

Finance costs decreased from approximately HK\$0.8 million for the year ended 31 December 2019 to approximately HK\$0.7 million for the Year. The decrease was attributable to the lower average borrowings during the Year.

As a result of the aforesaid, the Group recorded a loss attributable to the equity shareholders of the Company of approximately HK\$73.4 million for the Year (2019: profit of approximately HK\$7.2 million).

Key financial ratios

	Notes	As at/For the year ended 31 December	
		2020	2019
Current ratio (times)	1	2.1	2.8
Quick ratio (times)	2	2.1	2.8
Gearing ratio	3	8.1%	14.3%
Debt to equity ratio	4	Net cash	Net cash
(Loss)/Return on equity	5	(66.0%)	3.9%
(Loss)/Return on total assets	6	(40.7%)	2.7%
Interest coverage (times)	7	N/A	13.6

Notes:

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of lease liabilities and bank loans) divided by total equity and multiplied by 100%.
4. Debt to equity ratio is total debt (i.e. sum of lease liabilities and bank loans) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. (Loss)/Return on equity is (loss)/profit for the year divided by total equity and multiplied by 100%.
6. (Loss)/Return on total assets is (loss)/profit for the year divided by total assets and multiplied by 100%.
7. Interest coverage is profit before interest and tax divided by finance costs.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group finances its working capital requirements through a combination of funds generated from operations, borrowings and capital contribution from shareholders.

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$34.9 million (31 December 2019: approximately HK\$47.5 million). The borrowings (including lease liabilities) of the Group as at 31 December 2020 amounted to approximately HK\$9.1 million (31 December 2019: approximately HK\$26.5 million). The Group's cash and cash equivalents and borrowings (including lease liabilities) are all denominated in Hong Kong dollars. The Board closely monitors its liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements at all times.

There has been no change in the capital structure of the Group during the Year.

Management Discussion and Analysis

GEARING RATIO

As at 31 December 2020, the gearing ratio of the Group, calculated as the total debt (including lease liabilities) divided by the total equity, was approximately 8.1% (31 December 2019: approximately 14.3%).

TREASURY POLICY

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. It is the Group's policy not to enter into derivative transactions for speculative purposes.

CHARGES ON ASSETS

The Group's plant and equipment with an aggregate carrying value of approximately HK\$38.2 million (31 December 2019: approximately HK\$41.6 million) as at 31 December 2020 were pledged under the Group's bank borrowings.

As at 31 December 2020, the Group pledged its bank deposits with value of HK\$Nil (31 December 2019: approximately HK\$22.2 million) as collateral to secure certain of the main contractor's performance bonds issued by banks in relation to the Group's construction projects.

As at 31 December 2020, deposits with the value of approximately HK\$8.0 million were placed with an insurance company as collateral to secure the main contractor's surety bonds issued by an insurance company in relation to the Group's construction projects.

As at 31 December 2019, deposits with the value of approximately HK\$1.6 million were placed with an insurance company as collateral to secure the Group's surety bonds issued by an insurance company in relation to the Group's construction projects.

FOREIGN EXCHANGE EXPOSURE

The Group operates only in Hong Kong and most of the transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the foreign exchange risk is insignificant and therefore the Group has not entered in any derivative contracts for hedging purpose.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2020, the Group employed a total of 122 (31 December 2019: 127) employees (including executive Directors and independent non-executive Directors). Total staff costs including directors' remuneration for the Year was approximately HK\$47.4 million (2019: approximately HK\$50.9 million). The remuneration offered to employees generally includes salaries and bonus and are determined with reference to market norms and individual employees' performance, qualifications and experience. The Company has adopted a share option scheme under which options may be granted to Directors and eligible employees as an incentive.

The remuneration of the Directors is decided by the Board upon recommendation from the Remuneration Committee of the Company, taking into account the Group's operating results, responsibilities and individual performance of the Directors.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Year.

MATERIAL ACQUISITIONS AND DISPOSALS

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

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 15 October 2018 (the “**Prospectus**”), the Group did not have any other plans for material investments or capital assets as at 31 December 2020.

CONTINGENT LIABILITIES

(a) Guarantees issued

As at 31 December 2020, surety bonds of HK\$Nil (31 December 2019: approximately HK\$5.4 million) were given by an insurance company to the Group in favour of the Group’s customers as security for the due performance and observance of the Group’s obligation under the contracts entered into between the Group and their customers. The Group has provided guarantees of the above surety bonds. If the Group fails to provide satisfactory performance to its customers to whom the surety bonds were given, such customers may demand the insurance company to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance company accordingly. The surety bonds will be released upon completion of the contract work. Deposits are placed with an insurance company for issuance of surety bonds, details of which are set out in note 17 to the consolidated financial statements.

As at 31 December 2020, the Directors did not consider it is probable that a claim will be made against the Group.

(b) Litigation

In the ordinary course of the Group’s business, the Group has been subject to a number of claims due to personal injuries suffered by third parties, employees of the Group or the Group’s subcontractors in accidents arising out of and in the course of their employment. The Directors are of the opinion that such claims are well covered by insurance and will not result in any material adverse impact on the financial position or results of operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any capital commitments (31 December 2019: Nil).

SEGMENT INFORMATION

The Group is principally engaged in the civil engineering and building works in Hong Kong. Details of the segment information of the Group are set out in note 4 on the consolidated financial statements.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds of the share offer received by the Company in relation to the listing were approximately HK\$94.2 million, after deducting listing and related expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed “Future plans and use of proceeds” in the Prospectus. The below table sets out the proposed application and usage of the net proceeds as at 31 December 2020:

	Planned use of net proceeds as at 31 December 2020	Utilised amount of the net proceeds as at 31 December 2020	Unutilised amount of the net proceeds as at 31 December 2020
	HK\$'million	HK\$'million	HK\$'million
Acquisition of machinery and equipment	42.7	29.4	13.3
Financing construction projects	29.5	29.5	–
Strengthening of project management team	11.1	6.4	4.7
Repayment of finance lease obligations	5.3	5.3	–
General working capital	5.6	5.6	–
	94.2	76.2	18.0

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.

As at 31 December 2020, approximately HK\$76.2 million out of the net proceeds from the listing had been used. The remaining unutilised net proceeds of approximately HK\$18.0 million were deposited in licensed banks in Hong Kong. As at the date of this report, there has not been any material change to the plan as to the use of the net proceeds except that in light of the material change in market and economic condition, the Group will utilise the balance of fund in a conservative manner. The Directors will monitor the outbreak of COVID-19 and its impact to the global economy to evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. The unutilised net proceeds are expected to be fully utilised on or before 31 December 2022, depending on the market and economic condition.

FINAL DIVIDEND

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Liu Xinyi (劉心藝) (“Ms. Liu”), aged 32, is the Chief Executive Officer and an executive Director of the Company. Ms. Liu was appointed as the Chief Executive Officer and an executive Director on 14 January 2021. She is also a member of the Nomination Committee of the Company.

Ms. Liu started her career as an artist in the performance arts and culture industry. Ms. Liu also has experience in senior corporate management roles and has been a marketing director of Shenzhen Yihewenhuachuanbo Company Limited (深圳市合一文化傳播有限公司) since 2017 and has been responsible for the management and assessment of investment projects in the areas of (i) marketing and events, exhibition for real estate projects; and (ii) real estate development in Shenzhen and Hainan. Ms. Liu is currently the founder and controlling shareholder of Hainan Xuannv Network Technology Company Limited* (海南玄女網絡科技有限公司) and has been involved in several investment projects including movie making and real estate investments. Ms. Liu is the daughter of Ms. Ma Xiaoqiu, the non-executive Director of the Company.

Mr. Wong Chun Man (王俊文) (“Mr. Wong”) aged 45, is the executive Director of the Company. Mr. Wong was appointed as an executive Director on 14 January 2021. He is also a member of Remuneration Committee.

Mr. Wong obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in 1999. Mr. Wong has more than 20 years of experience in the field of finance. He has attained the professional qualifications of the Royal Institution of Chartered Surveyors, the American Institute of Certified Public Accountants and Chartered Financial Analyst.

Mr. Wong served as an independent non-executive director of Guoan International Limited (formerly known as Global Tech (Holdings) Limited) (stock code: 143), a company listed on the Main Board of the Stock Exchange from 11 March 2016 to 1 June 2020. He has been an independent non-executive director of Zhaobangji Properties Holdings Limited (formerly known as Sanroc International Holdings Limited) (stock code: 1660) since 11 April 2018 and a non-executive director of Vico International Holdings Limited (stock code: 1621) since 1 April 2019, whose shares are listed on the Main Board of the Stock Exchange.

Mr. Law Fu Keung (羅富強) (“Mr. Law”), aged 59, was appointed on 19 January 2018 and resigned as an executive Director of the Company on 14 January 2021.

Mr. Law has over 40 years of experience in civil engineering and construction field. He began his career as foreman at Yeu Shing Construction Company Limited (“**Yeu Shing**”) in June 1979. In August 1981, Mr. Law started to work as a quantity surveyor in the same company, and subsequently joined the apprenticeship programme of Yeu Shing in May 1984. Mr. Law completed his apprenticeship as a construction technician in May 1988 and held his last position at Yeu Shing as a site agent in May 1988. Thereafter, he served Hang Shing Finishing Works Company Limited as a quantity surveyor and site co-ordinator from August 1989 to March 1990. In March 1990, Mr. Law served Dragages et Travaux Publics as a quantity surveyor. Mr. Law founded the Group in 1997.

Mr. Law obtained a higher certificate in building studies from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. He obtained a certificate of detection of underground electricity cables/gas pipes from Construction Industry Training Authority (CITA) in March 2002. Mr. Law is currently approved by the Electrical and Mechanical Services Department of the Government as a competent person for locating underground electricity cables.

Mr. Law is the spouse of Ms. Cheng and brother of Mr. Law Fu Kwok.

Ms. Cheng Fung Yi (鄭鳳儀) (“Ms. Cheng”), aged 60, was appointed on 19 January 2018 and resigned as an executive Director of the Company on 14 January 2021.

Prior to joining the Group, Ms. Cheng gained approximately 14 years of administrative, human resources, customer relation and general accounting experience. She worked for Hutchison Paging Limited since May 1982 and held last position as an assistant supervisor when she left Hutchison Paging Limited in March 1996. Ms. Cheng had been a housewife before joining the Group in August 1999.

Ms. Cheng obtained a diploma in accounting and practical computing from Hong Kong College of Technology in June 1999. Ms. Cheng is the spouse of Mr. Law.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Ms. Ma Xiaoqiu (馬小秋) (“Ms. Ma”), aged 60, is the Chairman and a non-executive Director of the Company. Ms. Ma was appointed as Chairman and a non-executive Director on 14 January 2021. She is also the Chairman of the Nomination Committee and a member of the Remuneration Committee.

Ms. Ma is currently a non-executive director and chairlady of the China Ding Yi Feng Holdings Limited (formerly known as China Investment Fund International Holdings Limited) (stock code: 612), a company listed on the Main Board of the Stock Exchange, since 27 June 2017. Ms. Ma is the mother of Ms. Liu, the Chief Executive Officer and an executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Wen (陳文) (“Mr. Chen”), aged 44, is an independent non-executive Director of the Company. Mr. Chen was appointed as an independent non-executive Director on 14 January 2021. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

Mr. Chen obtained a bachelor's degree in mechanical and electronic engineering from Wu Han University of Technology in 1998 and a master's degree in business administration from Hong Kong University of Science and Technology in 2011. He has extensive experience in supply chain management. He has held roles as an engineer, procurement engineer, manager and supply chain director in various of engineering and technology companies in China.

Mr. Leung Ho Chi (梁浩志) (“Mr. Leung”), aged 46, is an independent non-executive Director of the Company. Mr. Leung was appointed as an independent non-executive Director on 14 January 2021. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee.

Mr. Leung obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in 1996 and a master's degree in corporate governance from The Hong Kong Polytechnic University in 2011. Mr. Leung is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Chartered Secretaries. He has over 21 years of experience in audit, accounting and finance. He is currently a partner of an audit firm. He had also worked as the financial controller of the Chiron Medical Group and the Hong Kong listed company UMP Healthcare Holdings Limited (stock code: 722). He has been an independent non-executive director of Vico International Holdings Limited (stock code: 1621), a company listed on the Main Board of the Stock Exchange, since 1 April 2019. He has also been working as a finance director and financial controller in Hong Kong subsidiaries of multiple multinational advertising and public relations companies a listed on The New York Stock Exchange and The London Stock Exchange.

Mr. Peng Peng (彭鵬) (“Mr. Peng”), aged 54, is an independent non-executive Director of the Company. Mr. Peng was appointed as an independent non-executive Director on 14 January 2021. He is also a member of each of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Peng obtained a doctor's degree in History from Sun Yat-sen University in June 1994. He has been an associate professor at Shenzhen University since 2010 and a founder of the Institute for Maritime Silk Road Studies at Shenzhen University* (深圳大學海洋海上絲綢之路研究所) since 2008. He also served as the cultural director of Guangzhou Puwen Science Education Culture Co., Ltd* (廣州普文科教文化有限公司) from 1998 to 2010. Mr. Peng has over 20 years of extensive experience in cultural and artistic studies. He is currently a founder of Shenzhen Maker Association* (深圳創客協會), with the aim to promote life science and high-tech related work.

Biographical Details of Directors and Senior Management

Ms. Li On Lei (李安梨) (“Ms. Li”), aged 43, was appointed on 8 October 2018 and resigned as an independent non-executive Director of the Company on 14 January 2021.

Ms. Li graduated from Leeds Metropolitan University with a Bachelor of Arts (Hons) Degree in Accounting and Finance through distance learning in June 2003. Ms. Li has been a fellow member of the Association of Chartered Certified Accountants since March 2016.

Ms. Li is currently the independent non-executive director of Goal Forward Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1854) (“**Goal Forward**”), where she is primarily responsible for providing independent judgment and advising on the issues of strategy, performance, resources and standard of conduct of Goal Forward. Ms. Li is also currently the financial controller of Gameone Holdings Limited (Stock Code: 8282) (“**Gameone**”), where she is primarily responsible for the handling and overseeing financial reporting, financial planning, and reviewing internal control of Gameone. Prior to joining Gameone, she had worked in the Audit and Assurance Department of HLB Hodgson Impey Cheng Limited from July 2004 to May 2015, and her last position was senior manager. She has accumulated approximately 15 years of experience in auditing, accounting and financial management.

Ms. Shum Wing Ting (沈詠婷) (“Ms. Shum”), aged 32, was appointed on 8 October 2018 and resigned as an independent non-executive Director of the Company on 14 January 2021.

Ms. Shum is currently a practicing solicitor in Hong Kong and has experience in general legal practice with specialisation in civil litigation and commercial law. Ms. Shum graduated from The Chinese University of Hong Kong with a bachelor degree in laws (LL.B.) in December 2011 and completed her postgraduate certificate in laws (“**PCLL**”) in July 2012. She also obtained her Master of Laws Degree from the University of Hong Kong in 2019.

Ms. Shum commenced her 2-year traineeship in LCP, Solicitors and Notaries after the completion of PCLL and completed such traineeship in August 2014. Ms. Shum was then admitted as a solicitor of Hong Kong in November 2014 and has become an assistant solicitor in LCP, Solicitors and Notaries. Ms. Shum is currently a member of the Law Society of Hong Kong.

Mr. Law Kam Chuen (羅錦全) (“Mr. KC Law”), aged 64, was appointed on 8 October 2018 and resigned as an independent non-executive Director of the Company on 14 January 2021.

Mr. KC Law obtained a higher certificate in civil engineering from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983. He later completed a diploma course of training management at The Chinese University of Hong Kong in November 1995. Mr. KC Law then obtained his bachelor degree in business administrative management from the University of South Australia in August 2000 through distance learning. He subsequently obtained the international advanced diploma in administrative management from the Institute of Administrative Management in January 2001 through distance learning. Mr. KC Law has been a member of the Institute of Clerks of Works of Great Britain Incorporated since 1987.

Mr. KC Law is a retired chief technical officer of building works in the Government. He has built his career of over 40 years within the Housing Department. Mr. KC Law joined the former Public Works Department as a foreman in April 1977, which position was later retitled as works supervisor II. He was then appointed as a senior foreman (Construction), subsequently redesignated as works supervisor I (Construction) in December 1980 in the Housing Department. In September 1984, Mr. KC Law was appointed as an assistant clerk of works, in which position he served in the next 12 years to 1996. He was subsequently promoted to clerk of works in September 1996 and then to senior clerk of works in October 2006. Mr. KC Law was promoted as a chief technical officer (Building works) since August 2015 and maintained such position until his retirement in September 2017. Mr. KC Law has been working as a part-time senior works consultant of Creative Enterprise Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3992) since May 2020.

Save as disclosed in this annual report, each of the Directors (i) does not have any other interest in the Shares (within the meaning of Part XV of the SFO); (ii) does not hold any other positions in the Company or its subsidiaries; (iii) does not have any other relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders; and (iv) has not held any directorship in any listed public companies in Hong Kong or overseas in the last three years.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Leung Chi Hung (梁志雄) (“Mr. Leung”), aged 58, is currently a site engineer of the Group. Mr. Leung joined the Group in January 2015, and his duties focus on supervising of waterworks and tendering of contracts. He is recognised by Development Bureau as the technical person responsible for the Group A (Probation) contractor under the waterworks category on the List of Approved Contractors for Public Works. Mr. Leung obtained his Bachelor Degree of Engineering in Civil Engineering from the University of Leeds, the United Kingdom in July 1989.

Mr. Leung has over 20 years of work experience in the construction industry. He joined Dragages et Travaux Publics as a trainee quantity surveyor in December 1989. Mr. Leung then worked in Hop Shing Transport and Construction Company as a site engineer in June 1990. Upon leaving his position at Hop Shing Transport and Construction Company in November 1993, he served as a site engineer at Hop Shing (Hin Kee) Engineering Company Limited until June 1995 and as a site agent from July 1995 to August 1996. After that, Mr. Leung joined Yiu Wing Construction Company Limited as a site agent from August 1996 to July 1999. From August 1999 to November 2000, he served as a site agent at Choi Kee Construction Company. Mr. Leung served Full House Construction & Engineering Company Limited as a technical director from October 1999 to January 2003. Mr. Leung then worked as a project manager for Oops Limited between January 2003 and November 2003. In December 2003, Mr. Leung worked as a consultant in Shing Hing Construction Company Limited until December 2014.

Mr. Leung is qualified as an authorized person to work on/near 25kV Overhead Line Equipment since July 2007 up to July 2010.

Mr. Law Fu Kwok (羅富國) (“Mr. Chris Law”), aged 57, is currently a general manager of the Group. Mr. Chris Law joined the Group in November 2017, and his duties focus on supervising the site activities in all construction projects including site management, coordination and liaison with customers, contractors and sub-contractors. He obtained his bachelor degree of Science in Civil Engineering from the Bulacan State University, Republic of the Philippines in March 2015.

Mr. Chris Law has approximately 30 years of work experience in the construction industry. He commenced as a works supervisor in 1988 to 1989 in Dixon Civil Engineering Limited and became a foreman for Aoki Corporation from January 1990 to October 1991. He then became a site agent for Yuen Cheong Construction Company between October 1991 and April 1993. Mr. Chris Law then secured an employment in the Hong Kong International Construction Investment Management Group, serving three subsidiaries of the group including Tysan Foundation Limited, Tysan Foundation Geotechnical Limited and Tysan Construction (Macau) Limited during February 1995 to November 2017 where his last position in the group was an assistant senior construction manager.

Mr. Chris Law is the brother of Mr. Law Fu Keung.

COMPANY SECRETARY

Mr. Chow Chi Keung (周自強) (“Mr. Chow”), aged 46, was appointed as our chief financial officer and company secretary on 10 January 2020. Mr. Chow is primarily responsible for financial management and control. He is a member of the Hong Kong Institute of Certified Public Accountants and has extensive experience in accounting, auditing and finance.

Mr. Chow has resigned as the chief financial officer, company secretary and authorised representative of the Company with effect from 1 February 2021 and 14 January 2021 respectively.

Mr. Wong Chin Ming (黃展明) (“Mr. CM Wong”), aged 47, was appointed as chief financial officer and company secretary on 1 February 2021. Mr. CM Wong has over 20 years of experience in the field of accounting, auditing, financial and taxation services. Mr. CM Wong obtained his master’s degree in Business Administration from University of Hull, United Kingdom. He is currently a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

* For identification purpose only

Corporate Governance Report

The Board is committed to achieving and maintaining high standards of corporate governance as the Board believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) as its own code of corporate governance. Save for the deviation below, the Company has complied with the provisions set out in the CG Code during the Year and up to the date of this annual report (the “**Review Period**”).

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year, Mr. Law was the Chairman and Chief Executive Officer, responsible for overall strategic development, project management and client management of the Group. The Board believed that vesting the roles of both Chairman and Chief Executive Officer in Mr. Law had the benefit of ensuring consistent and continuous leadership within the Group and also maximised the effectiveness and efficiency of overall planning and execution of the Group's strategies. The Board considered that the balance of power and authority, accountability and independent decision-making under the present arrangement would not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises more number of independent non-executive Directors than executive Directors also provides added independence to the Board.

On 14 January 2021, the Company has appointed Ms. Liu Xinyi as the executive Director and the Chief Executive Officer of the Company and Ms. Ma Xiaoqiu as the non-executive Director and the Chairman. Upon which, Mr. Law has resigned from the position as the executive director, the chairman and the chief executive officer. Upon the effective date of such change (i.e. 14 January 2021), the CG Code Provision A.2.1 has been complied with.

Following the sustained development and growth of the Company, the Company will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies can meet the general rules and standards required by the Stock Exchange.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Having made specific enquiry of all Directors, the Company confirmed that all Directors have fully complied with the required standard set out in the Model Code during the Year and up to the date of this annual report.

Corporate Governance Report

BOARD OF DIRECTORS

Composition of the Board

The composition of the Board during the Year and up to the date of this annual report is set out below:

Executive Directors:

Ms. Liu Xinyi (<i>Chief Executive Officer</i>)	(<i>appointed on 14 January 2021</i>)
Mr. Wong Chun Man	(<i>appointed on 14 January 2021</i>)
Mr. Law Fu Keung	(<i>resigned on 14 January 2021</i>)
Ms. Cheng Fung Yi	(<i>resigned on 14 January 2021</i>)

Non-executive Director

Ms. Ma Xiaoqiu (<i>Chairman</i>)	(<i>appointed on 14 January 2021</i>)
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Independent non-executive Directors:

Mr. Chen Wen	(<i>appointed on 14 January 2021</i>)
Mr. Leung Ho Chi	(<i>appointed on 14 January 2021</i>)
Mr. Peng Peng	(<i>appointed on 14 January 2021</i>)
Ms. Li On Lei	(<i>resigned on 14 January 2021</i>)
Ms. Shum Wing Ting	(<i>resigned on 14 January 2021</i>)
Mr. Law Kam Chuen	(<i>resigned on 14 January 2021</i>)

Biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the “**Board Diversity Policy**”) on 8 October 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against selection criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring, Reporting and Review

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of this Policy.

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

Corporate Governance Report

NOMINATION POLICY

The Board adopted a nomination policy (the “**Nomination Policy**”) on 29 March 2019 in respect of the selection and appointment of Directors with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives suitable for the Company’s business.

Selection Criteria as the Measurable Objective

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the “**Criteria**”):

- (a) Skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries;
- (b) Diversity to compliment the existing composition of the Board including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;
- (c) Commitment to ensure the devotion of sufficient time to carry out their duties to attend board meetings and to participate in induction, trainings and other board associated activities, and reasonable consideration against the numbers of their services on other listed and non-listed companies’
- (d) Integrity and character that satisfies the Board and the Stock Exchange; and
- (e) Independence in particular for independent non-executive Directors as required under the Listing Rule.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following respective procedures and process:

- (i) For the appointment of new Director, the Nomination Committee may take measures that it considers appropriate in connection with its identification and evaluation of a candidate. Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Board based on the Criteria and such other factors that it considers appropriate.
- (ii) For the re-election of Director subject to retirement obligations pursuant to the Company’s articles of association (“**Articles**”) at general meeting of the Company, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at general meeting; and
- (iii) For the appointment through nomination by Shareholders to stand for election as a Director at a general meeting, a Shareholder circular containing, among others, biographical details of such nominated candidate, must be lodged with the company secretary of the Company within the lodgment period, thereafter, a supplementary circular containing particulars of the candidate so proposed will be sent to all Shareholders for information.

Notwithstanding the above, the Board has the final authority on determining suitable candidate for appointment as Director.

Monitoring, Reporting and Review

The Nomination Committee will assess and report annually, in the Corporate Governance Report, on the composition of the Board.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Corporate Governance Report

DIVIDEND POLICY

The Board adopted a dividend policy (the “**Dividend Policy**”) on 29 March 2019, the objective of which is to allow shareholders of the Company to participate in the Group’s profits whilst retaining adequate reserves to sustain the Group’s future growth.

According to the Dividend Policy, the recommendation of the payment of any dividend is at the discretion of the Board, and any declaration and payment of final dividend will be subject to the approval of the shareholders of the Company and all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the relevant laws and the Articles. In proposing any dividend payout, the Board shall also take into account, inter alia, the actual and expected financial performance, cash flow and liquidity position, distributable reserves, debt level, working capital requirements and future expansion plans, general business conditions and strategies, contractual and regulatory restrictions.

Pursuant to the Dividend Policy, except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Board meetings

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda of meetings. For all other board meetings, reasonable notice period will be given.

The attendance record of each Director at the board meeting held during the Year is set out below:

Name of Directors	Number of meetings attended/held
Mr. Law Fu Keung	4/4
Ms. Cheng Fung Yi	4/4
Ms. Li On Lei	4/4
Ms. Shum Wing Ting	4/4
Mr. Law Kam Chuen	4/4

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. Directors may seek external professional advice in appropriate circumstances at the Company’s expenses.

Appropriate insurance cover has been arranged by the Company in respect of any legal action against Directors.

Corporate Governance Report

Role and responsibilities of the Board and management

The Directors, individually and collectively, must act in good faith, with due diligence and care, to discharge their duties in the best interests of the Company and its shareholders. The Board is responsible for the overall management of the Group's business and affairs by establishing the overall strategies, setting objectives and business development plans.

The Board has delegated its powers to the management for day-to-day management of the Group's operations. Under the leadership of the executive Directors of the Company, the management is responsible for implementing the strategies and plans established by the Board and the implementation of the risk management and internal control systems.

Directors' training and continuous professional development

All directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. All Directors have participated in continuous professional development and the individual training record of each Director received during the Year is as follows:

Name of Directors	Attending seminars/reading materials relevant to the director's duties
Mr. Law Fu Keung	√
Ms. Cheng Fung Yi	√
Ms. Li On Lei	√
Ms. Shum Wing Ting	√
Mr. Law Kam Chuen	√

Each of the Directors complied with code provision A.6.5 of the CG Code.

NON-EXECUTIVE DIRECTORS

The initial term of office of the non-executive Directors (excluding independent non-executive Directors) is one year, subject to re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have been appointed by the Company for a fixed term of one year, subject to retirement by rotation and re-election in accordance with the Articles, which may be terminated by either party serving to the other party not less than three months' written notice of termination.

During the Year, the Company had three independent non-executive Directors which represent more than one-third of the Board members, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The Company has complied with Rules 3.10(1) and (2), and 3.10A of the Listing Rules.

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules, and the Company has reviewed and considered that all independent non-executive Directors are independent in accordance with the relevant requirements under the Listing Rules.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three Board Committees on 8 October 2018, namely the Audit committee, the Remuneration Committee and the Nomination Committee, to oversee specific aspects of the Group's affairs. Each of the Board Committees has its own terms of reference in compliance with the CG Code relating to its authority and duties. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary. The composition of each of the Committees as at the date of this report is as follows:

Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:			
Ms. Liu Xinyi (appointed on 14 January 2021)	–	–	Member
Mr. Wong Chun Man (appointed on 14 January 2021)	–	Member	–
Mr. Law Fu Keung (resigned on 14 January 2021)	–	Member	Chairman
Ms. Cheung Fung Yi (resigned on 14 January 2021)	–	Member	Member
Non-executive Director:			
Ms. Ma Xiaoqiu (appointed on 14 January 2021)	–	Member	Chairman
Independent non-executive Directors:			
Mr. Chen Wen (appointed on 14 January 2021)	Member	Chairman	Member
Mr. Leung Ho Chi (appointed on 14 January 2021)	Chairman	Member	Member
Mr. Peng Peng (appointed on 14 January 2021)	Member	Member	Member
Ms. Li On Lei (resigned on 14 January 2021)	Chairman	Member	Member
Ms. Shum Wing Ting (resigned on 14 January 2021)	Member	Member	Member
Mr. Law Kam Chuen (resigned on 14 January 2021)	Member	Chairman	Member

Audit Committee

The Audit Committee consists of three members who are all independent non-executive Directors and is delegated with the authority from the Board primarily to oversee the Group's financial reporting and internal control systems, and the adequacy of the external and internal audits. Details of the authority and duties of Audit Committee are set out in the Audit Committee's terms of reference which are available on the websites of the Company and the Stock Exchange.

The individual attendance record of each member at the Audit Committee meetings during the Year is set out below:

Name of members	Number of meetings attended/held
Ms. Li On Lei (<i>Chairman</i>)	3/3
Ms. Shum Wing Ting	3/3
Mr. Law Kam Chuen	3/3

Corporate Governance Report

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

- reviewed the adequacy and effectiveness of the Group’s internal control systems and its accounting, financial reporting and internal audit functions;
- reviewed the external auditor’s independence;
- discussed the scope of 2020 audit with external auditor and approved the audit fees;
- reviewed, with external auditor, the key audit matters as included in the “Independent Auditor’s Report”;
- reviewed the Group’s annual results for the Year;
- made recommendations to the Board on the re-appointment of the external auditor; and
- met with the external auditor, in the absence of the management.

Remuneration Committee

The Remuneration Committee consists of five members, which comprises two executive Directors and three independent non-executive Directors and is delegated with the authority from the Board to establish, review, and make recommendations to the Board on the Group’s remuneration policy and practices. Details of the authority and duties of Remuneration Committee are set out in the Remuneration Committee’s terms of reference which are available on the websites of the Company and the Stock Exchange.

The individual attendance record of each member at the Remuneration Committee meeting during the Year is set out below:

Name of members	Number of meetings attended/held
Mr. Law Kam Chuen (<i>Chairman</i>)	1/1
Mr. Law Fu Keung	1/1
Ms. Cheng Fung Yi	1/1
Ms. Li On Lei	1/1
Ms. Shum Wing Ting	1/1

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

- reviewed the remuneration of directors and senior management; and
- made recommendations to the Board on the remuneration of individual directors and senior management.

Nomination Committee

The Nomination Committee consists of five members, which comprises two executive Directors and three independent non-executive Directors and is delegated with the authority from the Board to formulate and implement the policy for nominating Board candidates for election by Shareholders and assess independence of independent non-executive Directors. Details of the authority and duties of Nomination Committee are set out in the Nomination Committee’s terms of reference which are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

The individual attendance record of each member at the Nomination Committee meeting during the Year is set out below:

Name of members	Number of meetings attended/held
Mr. Law Fu Keung (<i>Chairman</i>)	1/1
Ms. Cheng Fung Yi	1/1
Ms. Li On Lei	1/1
Ms. Shum Wing Ting	1/1
Mr. Law Kam Chuen	1/1

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

- reviewed the Board Diversity Policy;
- reviewed the independence of the independent non-executive Directors; and
- discussed and adopted the Nomination Policy.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's auditor, Crowe (HK) CPA Limited, in respect of their audit and non-audit services for the Year was as follows:

	HK\$'000
Annual audit services	800
Non-audit services	575

Directors' responsibility for the financial statements

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements which give a true and fair view in accordance with the relevant accounting standards and principles and the disclosure requirements under applicable laws and regulations in Hong Kong. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions which may cast doubts upon the Group's ability to continue as a going concern.

The responsibilities of the external auditor are set out in the section headed "Independent Auditor's Report" of this annual report.

COMPANY SECRETARY

Mr. Chow Chi Keung ("**Mr. Chow**") has been the company secretary of the Company since 10 January 2020. Mr. Chow has confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2020 and has complied with Rule 3.29 of the Listing Rules. On 1 February 2021, Mr. Chow resigned from his role as the company secretary of the Company. Mr. Wong Chin Ming ("**Mr. CM Wong**") was appointed as the company secretary of the Company and in replacement of Mr. Chow on 1 February 2021.

The biography of Mr. CM Wong is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene general meeting

Pursuant to Article 64 of the 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 shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the board

Shareholders may send their enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by post to the Company's principal place of business in Hong Kong at Shops 11-12, G/F, Leung Choy Building, 2-44 Ping Fai Path, Yuen Long, New Territories or by email to comsec@fullwealthgroup.com.

Shareholders may also make enquiries to the Board at the annual general meeting (the "AGM") of the Company.

Procedures to put forward proposals at shareholders' meeting

The Company is not aware of any provision in the Articles or the Companies Law of Cayman Islands for shareholders to propose new resolution at a general meeting. Shareholders who wish to put forward proposals may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph headed "Procedures for shareholders to convene general meeting".

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through AGM and other general meetings. At the AGM, Directors are available to meet shareholders and answer their enquiries.

Significant changes in constitutional documents

The Company adopted an amended memorandum and articles of association of the Company (the "Constitutional Documents") on 8 October 2018 which was effective upon Listing. A copy of the Company's updated Constitutional Documents is available on the websites of the Company and the Stock Exchange. During the Review Period, there is no change to the Constitutional Documents of the Company.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the ultimate responsibility for evaluating and determining the nature and level of risk tolerance of the Company, establishing and maintaining appropriate and effective risk management and internal control systems. The Board is committed to oversee and review the design, implementation and monitoring of such risk management and internal control systems through the Audit Committee on an ongoing basis so as to safeguard shareholders' interest.

The Group established the risk management and internal control systems with aims to manage rather than eliminate the risk of failure to achieve business objectives, and provided reasonable and not absolute assurance against material misstatements or losses caused by judgment in decision making process, human error, fraud or other irregularities.

The Company has engaged an external consultant to establish an internal audit function during the Year. The external consultant has assisted the Audit Committee in carrying out an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group, and has reported the status of its review to the Audit Committee on a regular basis. The Group has formulated an internal audit charter to define the scope and duties and responsibilities of the internal audit function and its reporting protocol.

The Group has also conducted an annual risk assessment for the year to identify potential strategic risks, operational risks, financial risks and compliance risks of its major business. Each of potential risk was rated at different level under the consideration of internal and external risk factors. Respective internal control measures were proposed to mitigate the consequences of the potential risks to the Group.

Based on the risk assessment results and following a risk based audit approach, a continuous three-year audit plan was proposed which prioritised the risks identified into annual audit projects. An annual audit project was performed by the external consultant according to the audit plan with a view to assisting the Board and the Audit Committee to evaluate the effectiveness of the Group's risk management and internal control systems.

The Company has also formulated policies on handling and dissemination of inside information in accordance with "Guidelines on Disclosure of Inside Information" under the Securities and Future Commission, which set out procedures in handling inside information in a secure and proper manner as well as those aimed to avoid mishandling of inside information of the Group.

The Board has discussed and reviewed its risk management and internal control systems with the review covered the effectiveness of material controls (including strategic, financial, operational and compliance controls) at entity and operational levels. Based on the result of the review performed by the Company's Audit Committee and the external consultant, the Directors considered that the Group has maintained adequate and effective risk management and internal control systems for the Year.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the civil engineering and building works in Hong Kong. Details of the principal activities of its subsidiaries are set out in note 12 to the consolidated financial statements.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 19 January 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

In preparation of the Listing, the companies now comprising the Group underwent the corporate reorganisation (the “**Reorganisation**”) pursuant to which the Company became the holding company of the Group on 6 February 2018. For details of the Reorganisation, please refer to the section headed “History, Development and Reorganisation” in the Prospectus.

The Company's shares were listed on the Main Board of the Stock Exchange on 30 October 2018.

BUSINESS REVIEW

The business review and outlook together with an analysis of the Group's performance using financial key performance indicators of the Group for the Year are set out in the sections headed “Chairman's Statement” and “Management Discussion and Analysis” on pages 4 to 9 of this annual report. The financial risk management policies and practices of the Group are set out in note 23 to the consolidated financial statements.

Principal risks and uncertainties

The Group's business and operations is exposed to the following principal risks and uncertainties:

Business risks

Failure to obtain new projects

The Group's business is on a project-by-project basis and secured mainly through direct invitation for tender or quotation by customers which is not recurring in nature. As such, there is no guarantee that the Group will be able to retain its customers upon expiry of the contact period or that they will maintain their current level of business with the Group in the future.

Project cost overruns

The actual time and costs in completing a construction project may be adversely affected by uncontrollable factors such as shortage and cost escalation in materials/labour, difficult geological conditions, delay due to weather conditions etc. These factors can result in unexpected cost overruns which in turn will diminish the margin or overall loss of a project.

Unexpected geological conditions for underground projects

For underground projects, the Group is exposed to inherent project risk that the geological conditions of the sites are difficult to be anticipated and unforeseen problems may occur. Site survey and geotechnical reports may not be sufficient to reveal precisely the actual geological obstructions or identify any antiquities, monuments or structures beneath the site. All of these may lead to additional work procedures and time involved in completing the project and eventually result in cost overruns.

Directors' Report

Industry risks

Deterioration in market conditions

The number of projects awarded to the Group depends highly on the prevailing market conditions in the construction industry, including shortage of skilled labour, availability of new projects in private sector, approval for funding proposals for public works contracts etc. If there is any significant deterioration in any of these factors, the Group's operating results and financial conditions will be adversely affected.

For further details of the risks and uncertainties of the Group, please refer to the section headed "Risk Factors" in the Prospectus.

Environmental policies and performance

The Group recognizes the importance of protecting the environment and strives to minimize the impact to the environment by reducing use of energies and other resources. Further information of the environmental policies and performance will be detailed in the Environment, Social and Governance Report of the Company which will be available on the websites of the Company and the Stock Exchange within three months after the publication of this annual report.

Compliance with relevant laws and regulations

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

Events after the reporting period

On 2 March 2021, an extraordinary general meeting was held to approve by way of special resolution the change of the English name of the Company from "Fullwealth Construction Holdings Company Limited" to "Fullwealth International Group Holdings Limited" and its dual foreign name in Chinese from "富匯建築控股有限公司" to "富匯國際集團控股有限公司". All special resolutions proposed at the extraordinary general meeting were duly passed and the change of name became effective on 4 March 2021. For further information, please refer to the circular of the Company dated 9 February 2021 and the poll results announcement dated 2 March 2021.

In addition, on 26 March 2021, the Company ceased to use its logo. On 31 March 2021, the Company adopted the new Chinese stock short name "富匯國際集團控股". For further information, please refer to the announcement of the Company dated 26 March 2021.

Save as disclosed above to the consolidated financial statements, there was no other material subsequent event undertaken by the Company or the Group after 31 December 2020 and up to the date of this annual report.

Key relationships with employees, customers, suppliers and others

The Group recognises its employees as its valuable assets and the key to business growth and success. The Group provides competitive remuneration package and benefits to employees to attract and retain competent employees. The Group also provides on-the-job training and development opportunities to employees to enhance their career development.

The Group endeavours to develop and maintain long-term relationship with customers by delivering excellent works and quality services to them. The Group holds regular meeting with customers to receive customers' feedback to understand their needs and expectation.

The Group has strong and stable relationships with suppliers and subcontractors in order to ensure that quality goods and services are provided to the Group. Suppliers and subcontractors are assessed on their performances, safety records, non-compliance track records and environmental awareness on an on-going basis.

Directors' Report

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years are included in the section headed "Financial Summary" on page 90 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this annual report.

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

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 6 May 2021 to 11 May 2021, both dates inclusive, during which period no transfer of shares will be registered, in order to ascertain shareholders' entitlement to attend the forthcoming AGM which is scheduled to be held on 11 May 2021. In order to be eligible for attending and voting at the forthcoming AGM, non-registered shareholders must lodge all duly completed and stamped transfer forms accompanied by the relevant shares certificates with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on 5 May 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 22(c) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution to the shareholders amounted to approximately HK\$87,948,000.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 41 of this annual report.

Directors' Report

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

During the Year, the percentage of revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 54.7% and 94.6% of the Group's total revenue respectively.

During the Year, the largest subcontractor and the five largest subcontractors of the Group accounted for approximately 12.8% and 32.1% of the Group's total direct costs respectively.

During the Year, the largest supplier and the five largest suppliers of the Group accounted for approximately 8.6% and 17.3% of the Group's total direct costs respectively.

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

DIRECTORS

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

Executive Directors

Ms. Liu Xinyi (<i>Chief Executive Officer</i>)	(<i>appointed on 14 January 2021</i>)
Mr. Wong Chun Man	(<i>appointed on 14 January 2021</i>)
Mr. Law Fu Keung	(<i>resigned on 14 January 2021</i>)
Ms. Cheng Fung Yi	(<i>resigned on 14 January 2021</i>)

Non-executive Director

Ms. Ma Xiaoqiu (<i>Chairman</i>)	(<i>appointed on 14 January 2021</i>)
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Independent Non-executive Directors

Mr. Chen Wen	(<i>appointed on 14 January 2021</i>)
Mr. Leung Ho Chi	(<i>appointed on 14 January 2021</i>)
Mr. Peng Peng	(<i>appointed on 14 January 2021</i>)
Ms. Li On Lei	(<i>resigned on 14 January 2021</i>)
Ms. Shum Wing Ting	(<i>resigned on 14 January 2021</i>)
Mr. Law Kam Chuen	(<i>resigned on 14 January 2021</i>)

In accordance with Article 108 of the Articles, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Further, according to Articles 111 and 112 of the Articles, any Director appointed by the Board or by ordinary resolution in general meeting either to fill a causal vacancy or as an addition to the existing Board shall hold office only until the next following AGM of the Company. The Directors to retire at an AGM of the Company shall not be taken into account in determining who are to retire by rotation at such AGM.

At the forthcoming AGM, Ms. Liu Xinyi, Mr. Wong Chun Man, Ms. Ma Xiaoqiu, Mr. Chen Wen, Mr. Leung Ho Chi and Mr. Peng Peng being Director appointed by the Board after the last annual general meeting, will retire at the AGM and eligible, offer themselves for re-election.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement or letter of appointment with the Company which may be terminated by either party serving to the other party not less than three months' written notice of termination.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence during the Year.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements respectively.

SENIOR MANAGEMENT'S REMUNERATION

The remuneration of the senior management of the Group for the Year falls within the following band:

Remuneration Band	Number of senior management
HK\$Nil to HK\$1,000,000	3

EQUITY-LINKED AGREEMENTS

No equity-linked agreement has been entered into during the Year or subsisted at the end of the year.

PERMITTED INDEMNITY OF DIRECTORS

The Articles provide that every director shall be indemnified out of the assets of the Company against all losses and liabilities incurred or sustained by him as a director in the execution of his duties or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to such director.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Directors' Report

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance to which the Company or any of its subsidiaries was party and in which the controlling shareholders of the Company or an entity connected with the controlling shareholders had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year.

SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was conditionally adopted by the written resolution of the Company’s then sole shareholder on 8 October 2018. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption on 8 October 2018 and there is no outstanding share option as at 31 December 2020.

Purpose of the Scheme

The purpose of the Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Participants of the Scheme

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any employees (full-time or part-time), directors (including independent non-executive Directors), consultant, or advisor, substantial shareholders, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, who have contribution or potential contribution to the Group.

Maximum number of shares

The maximum number of the shares issuable upon exercise of all options to be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date i.e. 160,000,000 Shares.

The 10% limit may be refreshed at any time by obtaining approval of shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. The Company may seek separate approval of the shareholders in general meeting in granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought.

Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme and any other option scheme of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

Directors' Report

Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine but shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Minimum period

The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion at the time of grant.

Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

Subscription price

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of:

- (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day;
- (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the option; and
- (iii) the nominal value of a Company's share.

Duration of the Scheme

The Scheme will remain in force for a period of ten years commencing from 8 October 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by shareholders in general meeting.

COMPETING BUSINESS

During the Year, none of the controlling shareholders or the Directors of the Company and their respective 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.

DEED OF NON-COMPETITION

A deed of non-competition dated 8 October 2018 (the "DNC") has been entered into by Mr. Law Fu Keung and Miracle Investments Company Limited (collectively, the "Controlling Shareholders") in favour of the Company (for itself and on behalf of its subsidiaries), with an aim to avoid any possible future competition between the Group and the Controlling Shareholders. Details of the DNC are set out in the section headed "Relationship with Controlling Shareholders" in the Prospectus.

The Controlling Shareholders have confirmed their compliance with the undertakings of the DNC for the Year. The independent non-executive Directors had reviewed the undertakings and evaluated the effective implementation of the DNC and considered that the undertakings of the DNC have been complied with by the Controlling Shareholders during the period from 1 January 2020 to 31 December 2020.

Directors' Report

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

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept under section 352 of the SFO; or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:–

(a) Long position in ordinary shares of the Company

Name of director/ chief executive	Nature of interest	Number of shares held/interested	Percentage of shareholding in the Company
Ms. Liu Xinyi	Interest of a controlled corporation	1,200,000,000	75%

Notes:

- Ms. Liu beneficially owns the entire issued share capital of Victory Way Global Company Limited ("Victory Way"). Therefore, Ms. Liu is deemed or taken to be, interested in all Shares held by Victory Way for the purpose of the SFO.

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

Name of director/ chief executive	Name of the associated corporation	Nature of interest	Number of shares held/interested	Percentage of shareholding in the company
Ms. Liu Xinyi	Victory Way	Beneficial owner	50,000	100%

Notes:

- The issued share capital of Victory Way is fully owned by Ms. Liu.

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

Directors' Report

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

As at 31 December 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in shares and underlying shares of the Company which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of interest	Number of shares held/interested	Percentage of shareholding in the Company
Victory Way	Beneficial owner	1,200,000,000	75%

Save as disclosed above, as at 31 December 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

During the Year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 14 to 23 of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the 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.

RELIEF OF TAXATION

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

SUFFICIENCY OF PUBLIC FLOAT

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

Directors' 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 scheme for the Year.

CHANGES IN DIRECTORS AND INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2019 Annual Report of the Company is set out below:

Name of Director	Details of change
Ms. Liu Xinyi Executive Director	Appointed as executive Director on 14 January 2021
Mr. Wong Chun Man Executive Director	Appointed as executive Director on 14 January 2021
Ms. Ma Xiaoqi Non-executive Director	Appointed as non-executive Director on 14 January 2021
Mr. Chen Wen Independent non-executive Director	Appointed as independent non-executive Director on 14 January 2021
Mr. Leung Ho Chi Independent non-executive Director	Appointed as independent non-executive Director on 14 January 2021
Mr. Peng Peng Independent non-executive Director	Appointed as independent non-executive Director on 14 January 2021
Mr. Law Fu Keung Executive Director	Resigned as executive Director on 14 January 2021
Ms. Cheng Fung Yi Executive Director	Resigned as executive Director on 14 January 2021
Ms. Li On Lei Independent non-executive Director	Resigned as independent non-executive Director on 14 January 2021
Ms. Shum Wing Ting Independent non-executive Director	Resigned as independent non-executive Director on 14 January 2021
Mr. Law Kam Chuen Independent non-executive Director	Resigned as independent non-executive Director on 14 January 2021

RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTION

Details of the related party transactions entered into by the Group during the Year are set out in note 25 to the consolidated financial statements. The lease charges paid and payable to directors of the Company constituted continuing connected transaction under Chapter 14A of the Listing Rules but is fully exempted from shareholders' approval, annual review and all disclosure requirements by virtue of Rule 14A.76(1)(c) of the Listing Rules.

Directors' Report

MANDATORY UNCONDITIONAL CASH OFFER

On 27 November 2020, Victory Way Global Company Limited (the “**Offeror**”), Mr. Law Fu Keung (“**Guarantor**”) and Miracle Investments Company Limited (the “**Vendor**”) entered into a sale and purchase agreement, pursuant to which the Vendor agreed to sell and Offeror agreed to purchase 1,200,000,000 shares of the Company (the “**Shares**”), representing approximately 75% of the entire issued share capital of the Company for a total cash consideration of HK\$150,000,000. Completion of the above sale and purchase agreement took place on 4 December 2020.

Immediately following the completion of the above sale and purchase agreement, Offeror and/or the parties acting in concert with it were interested in a total of 1,200,000,000 Shares, representing approximately 75% of the entire issued share capital of the Company.

In accordance with Rule 26.1 of the Codes on Takeovers and Mergers and Share Buy-backs (the “**Takeovers Code**”) published by the Securities and Futures Commission, the Offeror made a mandatory unconditional cash offer (the “**Share Offer**”) to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by Offeror and/or parties acting in concert with it) in accordance with the terms as set out in the composite offer document and the response document jointly despatched by the Company and Offeror on 23 December 2020 (the “**Composite Document**”) in accordance with the Takeovers Code.

As of the close of the Share Offer on 13 January 2021, Offeror received valid acceptances in respect of the Share Offer for a total of 136,000 Shares, representing approximately 0.0085% of the entire issued share capital of the Company as at the said date. Further information regarding the Share Offer was published in the announcements of the Company dated 2 December 2020, 4 December 2020 and the Composite Document.

AUDITOR

The consolidated financial statements for the Year have been audited by Crowe (HK) CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

Fullwealth International Group Holdings Limited

Liu Xinyi

Chief Executive Officer and Executive Director

Hong Kong, 31 March 2021

Independent Auditor's Report



國富浩華 (香港) 會計師事務所有限公司
Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FULLWEALTH INTERNATIONAL GROUP HOLDINGS LIMITED (formerly known as Fullwealth Construction Holdings Company Limited)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fullwealth International Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 89, which comprise the consolidated statement of financial position as at 31 December 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 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Independent Auditor's Report

Recognition of contract revenue and costs

Refer to note 3(c) and note 4 to the consolidated financial statements and the accounting policies in note 2(q) to the consolidated financial statements.

The Key Audit Matter

The Group recorded revenue from construction contracts of approximately HK\$271,374,000 for the year ended 31 December 2020.

Contract revenue is recognised over time using the output method, based on direct measurements of the value of services delivered or work performed, which is established by reference to the construction works certified by the customers. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.

The recognition of contract revenue and costs relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable.

We identified contract revenue and costs as a key audit matter because the estimation of the total revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of contract revenue and costs included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the contract revenue and costs recognition processes;
- discussing with the Group's management the performance of the major contracts in progress during the year and challenging the key estimates and assumptions adopted in the forecast of contract revenue and contract costs, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and their assessment of potential liquidated damages for contracts which are behind schedule, by obtaining and assessing information in connection with the assumptions adopted, including contract agreements and sub-contracts, confirmations from and correspondence with customers regarding contract variations and claims and by considering historical outcomes for similar contracts;
- selecting a sample of contracts and performing the following procedures for each contract selected:
 - inspecting the contract agreements with customers and subcontractors to identify key terms and conditions, including contracting parties, contract period, contract sum, scope of work, liquidated damages and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete under the forecasts of contract;
 - comparing the contract revenue recognised during the year with reference to the amounts as stated on the progress certificates issued by the customers; and
 - comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation;
- performing site visits, on a sample basis, to observe the progress of individual contract and discussing with site personnel the status of each project and evaluating whether the project progress was consistent with the agreed timetable and the Group's financial accounting records;
- assessing the presentation and related disclosures in the consolidated financial statements with reference to the requirement of HKFRS 15.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE 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 are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 HKSA's 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.

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2021

Yau Hok Hung
Practising Certificate Number P04911

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	271,374	553,357
Direct costs		(326,286)	(539,639)
Gross (loss)/profit		(54,912)	13,718
Other income	5	6,409	11,470
General and administrative expenses		(19,875)	(14,862)
Impairment loss on contract assets	23(a)	(531)	–
Impairment loss on other receivables	23(a)	(4,660)	–
(Loss)/profit from operations		(73,569)	10,326
Finance costs	6(a)	(671)	(758)
(Loss)/profit before taxation	6	(74,240)	9,568
Income tax	7	837	(2,389)
(Loss)/profit and total comprehensive (expenses)/income for the year		(73,403)	7,179
		HK Cents	HK Cents
(Loss)/earnings per share	10		
– Basic		(4.59)	0.45
– Diluted		(4.59)	0.45

The notes on pages 43 to 89 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	11	50,866	60,717
Deposit for acquisition of property, plant and equipment		–	400
		50,866	61,117
Current assets			
Inventories and other contract costs	13	7,542	–
Contract assets	14(a)	42,804	70,213
Trade and other receivables	17	38,789	62,443
Tax recoverable	21(a)	2,742	4,595
Pledged bank deposits	16	–	22,206
Deposit with bank with original maturity date over three months		2,632	–
Cash and cash equivalents	15(a)	34,925	47,451
		129,434	206,908
Current liabilities			
Trade and other payables	18	48,866	49,203
Contract liabilities	14(b)	4,303	–
Bank loans	19	6,665	22,251
Lease liabilities	20	1,136	1,770
		60,970	73,224
Net current assets		68,464	133,684
Total assets less current liabilities		119,330	194,801
Non-current liabilities			
Lease liabilities	20	1,254	2,443
Deferred tax liabilities	21(b)	6,890	7,769
		8,144	10,212
NET ASSETS		111,186	184,589
CAPITAL AND RESERVES			
Share capital	22(c)	16,000	16,000
Reserves		95,186	168,589
TOTAL EQUITY		111,186	184,589

Approved and authorised for issue by the board of directors on 31 March 2021:

LIU Xinyi
Director

WONG Chun Man
Director

The notes on pages 43 to 89 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note (i))	(Accumulated losses)/ retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2019	16,000	99,206	5,760	56,444	177,410
Changes in equity for 2019:					
Profit and other comprehensive income for the year	–	–	–	7,179	7,179
Balance at 31 December 2019 and 1 January 2020	16,000	99,206	5,760	63,623	184,589
Changes in equity for 2020:					
Loss and other comprehensive expenses for the year	–	–	–	(73,403)	(73,403)
Balance at 31 December 2020	16,000	99,206	5,760	(9,780)	111,186

Note (i): The other reserve represents the deemed contribution from and distributions to the controlling shareholders as a result of the reorganisation which are set out in the prospectus of the Company dated 15 October 2018.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Operating activities			
Cash generated from/(used in) operations	15(b)	7,466	(16,969)
Hong Kong Profits Tax refunded		6,783	–
Hong Kong Profits Tax paid		(4,972)	–
Net cash generated from/(used in) operating activities		9,277	(16,969)
Investing activities			
Interest received		671	453
Payment for acquisitions of plant and equipment		(1,688)	(6,286)
Proceeds from disposals of plant and equipment		–	10,854
Advances to related companies		(74)	–
Advances to an immediate holding company		–	(12)
Increase in deposit with bank with original maturity date over three months		(2,632)	–
Net cash (used in)/generated from investing activities		(3,723)	5,009
Financing activities			
Proceeds from new bank loans	15(c)	–	31,090
Repayment of bank loans	15(c)	(15,586)	(8,839)
Capital element of lease rentals paid	15(c)	(1,823)	(4,373)
Interest element of lease rentals paid	15(c)	(123)	(195)
Bank loans interest paid	15(c)	(548)	(563)
Net cash (used in)/generated from financing activities		(18,080)	17,120
Net (decrease)/increase in cash and cash equivalents		(12,526)	5,160
Cash and cash equivalents at the beginning of the year		47,451	42,291
Cash and cash equivalents at the end of the year	15(a)	34,925	47,451

The notes on pages 43 to 89 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

Fullwealth International Group Holdings Limited (formerly known as Fullwealth Construction Holdings Company Limited) (the “**Company**”) was incorporated in the Cayman Islands on 19 January 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Shops 11-12, G/F., Leung Choy Building, 2-44 Ping Fai Path, Yuen Long, New Territories, Hong Kong.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 October 2018 (the “**Listing**”).

The Company is an investment holding company and its subsidiaries are principally engaged in the civil engineering and building works in Hong Kong. The Company and its subsidiaries are collectively referred to as the “**Group**”.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments of HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(l) or 2(m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)).

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(f)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Leasehold improvements	5 years
– Plant and machinery	5-15 years
– Furniture and equipment	5 years
– Motor vehicles	3.33 years
– The Group's interests in buildings situated on leasehold land	Over the shorter of the unexpired term of lease and the buildings' estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *As a lessee*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(g)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(q)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(f)(i), then the Group classifies the sub-lease as an operating lease.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, deposit with bank with original maturity date over three months, trade and other receivables); and
- contract assets as defined in HKFRS 15 (see note 2(i)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment, including right-of-use assets; and
- Investments in subsidiaries in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(h)(i)) or property, plant and equipment (see note 2(e)) or intangible assets.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(q).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(q)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(g)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(j)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(q)).

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(i)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(g)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(g)(i).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(r)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Construction contracts

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

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

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that 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.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(p)(ii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue and other income (continued)

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(iii) *Management fee income*

Management fee income is recognised when the control over services have been transferred to customers.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(g)(i)).

(v) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties

- (A) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (B) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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.
 - (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 the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker (the "CODM") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates:

(a) *Useful lives, residual values and depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) *Impairment of trade receivables and contract assets*

The Group uses provision matrix to calculate ECLs for the trade receivables and contract assets. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECLs individually. The provision of ECLs is sensitive to changes in circumstances and forecast general economic conditions. The information about the ECLs and the Group's trade receivables and contract assets are disclosed in note 23(a). If the financial condition of the customers or the forecast economic conditions were to deteriorate, the actual loss allowance would be higher than estimated.

(c) *Construction contracts*

As explained in policy note 2(q), revenue from construction contracts are recognised over time using the output method. Such revenue and profit recognition on uncompleted projects is dependent on estimating the outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached and the related contract assets disclosed in note 14 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the amounts received and receivable from construction contracts for civil engineering and building works rendered by the Group to customers, which is recognised over time.

Revenue from construction contracts with customers by geographic markets is disclosed in note 4(b)(ii).

As at 31 December 2020, the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are as follows:

	2020 HK\$'000	2019 HK\$'000
Expected to be recognised within 12 months	52,560	106,645
Expected to be recognised over the next 12 months to 36 months	73,886	31,592
	126,446	138,237

These amounts represent revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed.

The above amounts do not include any estimated amounts of variable consideration that are constrained.

(b) Segment information

(i) Operating segment information

The chief operating decision maker ("CODM") has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of civil engineering and building works in Hong Kong. Information reported to CODM for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

(ii) Geographical information

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis is presented.

(iii) Information about major customers

Revenue from customers contributing individually over 10% of the Group's revenue is as follows:

	2020	2019
	HK\$'000	HK\$'000
Customer A	148,309	170,882
Customer C	N/A*	88,200
Customer E	–	128,948
Customer F	45,183	66,964
Customer G	31,786	N/A*

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

Details of concentrations of credit risk arising from these customers are set out in note 23(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	671	453
Profit from leasing of plant and equipment (see note (i))	17	7,656
Net (loss)/gain on disposal of property, plant and equipment	(569)	2,246
Government grants (see note (ii))	3,684	–
Sales of scrap materials	715	–
Compensation received	229	442
Sundry income	1,662	673
	6,409	11,470

Note:

- (i) Profit from leasing of plant and equipment is analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Gross rental income from leasing of plant and equipment	23	12,985
Direct outgoings	(6)	(5,329)
Profit from leasing of plant and equipment	17	7,656

- (ii) Government grants mainly included subsidy under the Employment Support Scheme. During the year ended 31 December 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities (note 15(c))	123	195
Interest on bank loans (note 15(c))	548	563
Total interest expense on financial liabilities not at fair value through profit or loss	671	758

(b) Staff costs

	2020 HK\$'000	2019 HK\$'000
Directors' emoluments	2,886	3,086
Other staff costs:		
Contributions to defined contribution retirement plans	1,519	1,656
Salaries, wages and other benefits	43,031	46,166
	47,436	50,908

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the MPF scheme at rates specified in the rules. Contributions to the plan vest immediately.

(c) Other items

	2020 HK\$'000	2019 HK\$'000
Depreciation charge (note 11)	7,404	11,880
Impairment losses		
– contract assets	531	–
– other receivables	4,660	–
Auditor's remuneration	800	1,200
Cost of inventories	66,043	85,398

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 HK\$'000	2019 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	–	2,434
Under-provision in respect of prior years	42	–
	42	2,434
Deferred tax		
Origination and reversal of temporary differences	(879)	(45)
	(837)	2,389

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax for the year ended 31 December 2020 has been made as the Group had no estimated assessable profits for this year. The provision for Hong Kong Profits Tax for the year ended 31 December 2019 is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The directors of the Company were in the view that the impact of the two-tiered profits tax rates regime on the Group's current and deferred tax position was not material.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before taxation	(74,240)	9,568
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the profits in jurisdictions concerned	(12,250)	1,414
Tax effect of non-deductible expenses	934	54
Tax effect of non-taxable income	(616)	(66)
Tax effect of temporary difference not recognised	(2)	–
Tax effect of unused tax losses not recognised	11,055	1,007
Statutory tax concession	–	(20)
Under-provision in prior years	42	–
Actual tax expense	(837)	2,389

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2020				Total HK\$'000
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contribution to defined contribution retirement plan HK\$'000	
Executive directors					
LAW Fu Keung (Chief executive)	–	1,200	–	18	1,218
CHENG Fung Yi	–	1,200	–	18	1,218
Independent non-executive directors					
LI On Lei	150	–	–	–	150
LAW Kam Chuen	150	–	–	–	150
SHUM Wing Ting	150	–	–	–	150
Total	450	2,400	–	36	2,886

	Year ended 31 December 2019				Total HK\$'000
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contribution to defined contribution retirement plan HK\$'000	
Executive directors					
LAW Fu Keung (Chief executive)	–	1,200	100	18	1,318
CHENG Fung Yi	–	1,200	100	18	1,318
Independent non-executive directors					
LI On Lei	150	–	–	–	150
LAW Kam Chuen	150	–	–	–	150
SHUM Wing Ting	150	–	–	–	150
Total	450	2,400	200	36	3,086

During the year, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals of the Group are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other emoluments	1,960	2,042
Discretionary bonuses	131	–
Retirements scheme contributions	54	54
	2,145	2,096

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

	2020 Number of Individuals	2019 Number of Individuals
HK\$nil to HK\$1,000,000	3	3

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK\$73,403,000 (2019: profit attributable to ordinary equity shareholders of the Company of approximately HK\$7,179,000) and the weighted average of 1,600,000,000 ordinary shares (2019: 1,600,000,000 ordinary shares) in issue during the year ended 31 December 2020.

(b) Diluted (loss)/earnings per share

There were no potential dilutive shares in existence during the years ended 31 December 2020 and 2019, therefore, diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Properties leased for own use carried at cost HK\$'000	Total HK\$'000
Cost:						
At 1 January 2019	868	66,288	84	20,217	2,788	90,245
Additions	–	5,744	41	2,401	–	8,186
Disposals	–	(7,203)	–	(16,760)	–	(23,963)
At 31 December 2019 and 1 January 2020	868	64,829	125	5,858	2,788	74,468
Additions	–	1,338	–	750	–	2,088
Disposals	–	(5,645)	–	–	–	(5,645)
At 31 December 2020	868	60,522	125	6,608	2,788	70,911
Accumulated depreciation:						
At 1 January 2019	252	6,486	56	10,432	–	17,226
Charge for the year	174	6,538	25	4,556	587	11,880
Written back on disposals	–	(3,675)	–	(11,680)	–	(15,355)
At 31 December 2019 and 1 January 2020	426	9,349	81	3,308	587	13,751
Charge for the year	129	5,330	15	1,343	587	7,404
Written back on disposals	–	(1,110)	–	–	–	(1,110)
At 31 December 2020	555	13,569	96	4,651	1,174	20,045
Net book value:						
At 31 December 2020	313	46,953	29	1,957	1,614	50,866
At 31 December 2019	442	55,480	44	2,550	2,201	60,717

Certain machinery with carrying amount of approximately HK\$38,210,000 (2019: HK\$41,618,000) were pledged to secure the Group's banking facilities (note 19) as at 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follow:

	Notes	2020 HK\$'000	2019 HK\$'000
Properties leased for own use, carried at depreciated cost	11(b)(i)	1,614	2,201
Motor vehicles, carried at depreciated costs	11(b)(ii)	1,232	2,299
		2,846	4,500

The analysis of expenses items in relation to leases recognised in profit or loss is as follows:

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	587	587
Motor vehicles	1,067	1,376
	1,654	1,963
Interest on lease liabilities (note 6(a))	123	195
Expense relating to short-term leases with a lease term of 12 months or less	4,809	15,061

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Right-of-use assets (continued)

During the year ended 31 December 2019, additions to right-of-use assets were approximately HK\$2,372,000. This amount related to the capitalized lease payments payable under new hire purchase agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 15(d) and 23(b), respectively.

(i) Properties leased for own use

The Group has obtained the right to use properties as its offices through tenancy agreements. The leases typically run for an initial period of 3 to 5 years. Certain lease payments are adjusted to reflect market rentals. None of the leases include variable lease payments.

(ii) Other leases

The Group leases motor vehicles under leases expiring from 1 to 3 years. At the end of the lease term the Group has the option to purchase the leased motor vehicles at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(c) Assets leased out under operating leases

The Group leases out a number of items of machinery under operating leases. The leases typically run for short-term and are cancellable. None of the leases includes variable lease payments.

At 31 December 2020, the carrying amount of machinery leased out amounted to HK\$nil (2019: approximately HK\$38,335,000).

The directors of the Company are of the opinion that at the end of the reporting period, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases are relatively insignificant to consolidated financial statements, therefore no maturity analysis of lease payments is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries. The class of shares held is ordinary unless otherwise state.

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Proportion of ownership interest		Principal activity
				Held by the Company	Held by a subsidiary	
Civil Link Holdings Company Limited (" Civil Link ")	The British Virgin Islands	US\$200	100%	100%	–	Investment holding
Ming Shing Construction Engineering Company Limited (" Ming Shing ")	Hong Kong	HK\$5,760,000	100%	–	100%	Civil engineering and building works
Kong Lung Development Limited (" Kong Lung ")	Hong Kong	HK\$1	100%	–	100%	Not yet commenced business

13. INVENTORIES AND OTHER CONTRACT COSTS

	Note	2020 HK\$'000	2019 HK\$'000
Inventories			
– Raw materials		2,009	–
Other contract costs	13(a)	5,533	–
		7,542	–

(a) Contract costs

Contract costs capitalised as at 31 December 2020 relate to subcontractor costs incurred in fulfilling construction contracts with customers. Contract costs are recognised as part of "direct costs" in the statement of profit or loss and other comprehensive income in the period in which revenue from the related construction contract is recognised. There was no impairment in relation to the costs capitalised during the year ended 31 December 2020 (2019: Nil).

All contract costs are expected to be recovered within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 HK\$'000	2019 HK\$'000
Contract assets		
Arising from performance under construction contracts	42,804	70,213
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (note 17)	21,682	47,032

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment terms which require stage payments over the construction period once the progress certificates are issued by customers. The Group also typically agrees to a retention period of one year to three years for 1-10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The amount of revenue recognised during the year from performance obligation satisfied in previous periods is approximately HK\$1,186,000 (2019: HK\$nil), mainly due to the changes in estimation of the transaction price of a construction contract.

The amount of contract assets that is expected to be recovered after more than one year is approximately HK\$6,125,000 (2019: approximately HK\$10,219,000), all of which relates to retention receivables.

(b) Contract liabilities

	2020 HK\$'000	2019 HK\$'000
Contract liabilities		
Construction contracts		
– Billings in advance of performance	4,303	–

When the Group receives advance payment from the customers before the construction activities were provided to the customers this will give rise to contract liabilities, until the revenue recognised on the project exceeds the amount of the advance payment. Typically the amount of the advance payment, if any, is negotiated on a case by case basis with customers.

Movements in contract liabilities	2020 HK\$'000	2019 HK\$'000
Balance at 1 January	–	–
Increase in contract liabilities as a result of billing in advance of construction activities	4,303	–
Balance at 31 December	4,303	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents in the consolidated statement of financial position and cash flows comprise:

	2020 HK\$'000	2019 HK\$'000
Bank deposits	4,050	7,757
Cash at banks	30,875	39,694
	34,925	47,451

(b) Reconciliation of (loss)/profit before taxation to cash generated from/(used in) operations:

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before taxation	(74,240)	9,568
Adjustments for:		
Depreciation	7,404	11,880
Finance costs	671	758
Interest income	(671)	(453)
Net loss/(gain) on disposal of plant and equipment	569	(2,246)
Impairment loss on other receivables	4,660	–
Impairment loss on contract assets	531	–
Changes in working capital:		
Increase in inventories and other contract costs	(7,542)	–
Decrease in contract assets, trade and other receivables	49,912	4,541
Decrease/(increase) in pledged bank deposits	22,206	(22,206)
Increase/(decrease) in contract liabilities, trade and other payables	3,966	(18,811)
Cash generated from/(used) in operations	7,466	(16,969)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans HK\$'000 (note 19)	Lease liabilities HK\$'000 (note 20)	Total HK\$'000
At 1 January 2020	22,251	4,213	26,464
Changes from financing cash flows:			
Repayment of bank loans	(15,586)	–	(15,586)
Bank loans interest paid	(548)	–	(548)
Capital element of lease rentals paid	–	(1,823)	(1,823)
Interest element of lease rentals paid	–	(123)	(123)
Total changes from financing cash flows	(16,134)	(1,946)	(18,080)
Other changes:			
Interest expenses (note 6(a))	548	123	671
Total other changes	548	123	671
At 31 December 2020	6,665	2,390	9,055

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Bank loans HK\$'000 (note 19)	Lease liabilities HK\$'000 (note 20)	Total HK\$'000
At 1 January 2019	–	6,286	6,286
Changes from financing cash flows:			
Proceeds from new bank loans	31,090	–	31,090
Repayment of bank loans	(8,839)	–	(8,839)
Bank loans interest paid	(563)	–	(563)
Capital element of lease rentals paid	–	(4,373)	(4,373)
Interest element of lease rentals paid	–	(195)	(195)
Total changes from financing cash flows	21,688	(4,568)	17,120
Other changes			
Increase in lease liabilities from entering into new leases during the year	–	2,300	2,300
Interest expenses (see note 6(a))	563	195	758
Total other changes	563	2,495	3,058
At 31 December 2019	22,251	4,213	26,464

(d) Total cash outflow for leases

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

	2020 HK\$'000	2019 HK\$'000
Within operating cash flows	4,711	14,813
Within financing cash flows	1,946	4,568
	6,657	19,381

These amounts relate to the following:

	2020 HK\$'000	2019 HK\$'000
Lease rentals paid	6,657	19,381

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16. PLEDGED BANK DEPOSITS

As at 31 December 2019, bank deposits of approximately HK\$22,206,000 were pledged to a bank as collateral to secure certain of the main contractor's performance bonds issued by a bank in relation to the Group's construction projects. The pledged bank deposits were released during the year ended 31 December 2020 upon completion of construction projects.

17. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	21,682	47,032
Deposits for surety bonds (see note (i) below)	8,046	1,620
Other receivables	4,142	11,153
Deposits and prepayments	4,833	2,626
Amounts due from related companies (see note (ii) below)	86	–
Amount due from an immediate holding company (see note (ii) below)	–	12
	38,789	62,443

Notes:

- (i) As at 31 December 2020, deposits were placed with an insurance company as collateral to secure main contractor's surety bonds issued by an insurance company in relation to the Group's construction projects.

As at 31 December 2019, deposits were placed with an insurance company for issuance of the Group's surety bonds in favour of the Group's customers, details of which are set out in note 24. These bonds will be released upon completion of the contract work.

- (ii) Amounts due from related companies and an immediate holding company were non-trade nature, unsecured, interest-free and have no fixed terms of repayment.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the revenue recognition date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	10,629	35,312
1 to 2 months	4,319	3,292
2 to 3 months	–	–
Over 3 months	6,734	8,428
	21,682	47,032

Trade receivables are generally due within 30 days from the date of progress certificate. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 23(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

18. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	14,720	14,667
Accrued construction costs	5,703	13,691
Other payables	3,917	–
Other accrued expenses	5,277	5,819
Retention payables	19,249	15,026
	48,866	49,203

At 31 December 2020, the amount of retention payables expected to be settled after more than one year are approximately HK\$8,011,000 (2019: approximately HK\$1,674,000). All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables, based on invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	5,433	11,810
1 to 2 months	3,619	446
2 to 3 months	172	722
Over 3 months	5,496	1,689
	14,720	14,667

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19. BANK LOANS

At 31 December 2020, the bank loans were secured and repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year or on demand	6,665	22,251

At 31 December 2020, the banking facilities of the Group were secured by certain of the Group's machinery with an aggregate carrying amount of approximately HK\$38,210,000 (2019: approximately HK\$41,618,000) and corporate guarantee provided by the Company. Such banking facilities amounted to HK\$31,090,000 (2019: HK\$31,090,000). The facilities were utilised to the extent of approximately HK\$6,665,000 (2019: approximately HK\$22,251,000).

The loans bear interest at 1.75% per annum below the Bank's Prime Lending Rate and are repayable monthly by installments, and the final installment will be repayable in May 2021.

Notwithstanding the specified repayment schedule provided by the bank ("**specific repayment term**") which allow the loans to be repaid over a period of more than one year, the banking facilities granted to the Group include a clause that gives the bank the unconditional rights to call the bank loans at any time ("**repayment on demand clause**"). At 31 December 2020, bank loans of approximately HK\$6,665,000 (2019: approximately HK\$22,251,000) are subject to the repayment on demand clause, of which approximately HK\$nil (2019: approximately HK\$6,658,000) repayable after one year based on the specific repayment term and was classified as current liabilities in the consolidated statement of financial position.

However, the directors of the Company expects that the bank loans are to be repaid as follows based on the specific repayment term:

	2020 HK\$'000	2019 HK\$'000
Bank loans due for repayment within one year or on demand:		
Bank loans due for repayment within one year	6,665	15,593
Bank loans due for repayment after one year (see note below):		
After 1 year but within 2 years	–	6,658
	6,665	22,251

All of the Group's banking facilities are subject to the fulfilment of covenants which are commonly found in the lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 23(b). As at 31 December 2020, none of the covenants relating to drawn down facilities had been materially breached (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

20. LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	1,136	1,770
After 1 year but within 2 years	783	1,189
After 2 years but within 5 years	471	1,254
	1,254	2,443
	2,390	4,213

All of the Group's lease liabilities were denominated in Hong Kong dollars and the effective interest rates of these lease liabilities during the year ended 31 December 2020 were ranged from 3.50% to 4.34% per annum (2019: approximately from 3.50% to 4.34% per annum).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020 HK\$'000	2019 HK\$'000
Provision for Hong Kong Profits Tax for the year	–	2,434
Provisional Hong Kong Profits Tax paid	(2,496)	–
	(2,496)	2,434
Balance of Hong Kong Profits Tax provision relating to prior years	(246)	(7,029)
Tax recoverable	(2,742)	(4,595)

(b) Deferred tax assets and liabilities

(i) *Movement of deferred tax liabilities*

The component of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Deferred tax arising from depreciation allowances in excess of the related depreciation:		
At the beginning of the year	7,769	7,814
Charged to profit or loss	(879)	(45)
At the end of the year	6,890	7,769

(ii) *Deferred tax assets not recognised*

At 31 December 2020, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$66,997,000 (2019: approximately HK\$6,102,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses are subject to the final assessment by the tax authority in respect of jurisdiction where the tax losses arising from and do not expire under current tax legislation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

22. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital HK\$000	Share premium HK\$000	Other reserve HK\$000	(Accumulated losses)/ retained profits HK\$000	Total HK\$000
Balance at 1 January 2019	16,000	99,206	1	482	115,689
Changes in equity for 2019:					
Loss and other comprehensive expenses for the year	-	-	-	(6,102)	(6,102)
Balance at 31 December 2019 and 1 January 2020	16,000	99,206	1	(5,620)	109,587
Changes in equity for 2020:					
Loss and other comprehensive expenses for the year	-	-	-	(5,638)	(5,638)
Balance at 31 December 2020	16,000	99,206	1	(11,258)	103,949

(b) Dividends

The board of directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

(c) Share capital

	No. of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.01 each:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	3,000,000,000	30,000
Issued and fully paid ordinary shares of HK\$0.01 each:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,600,000,000	16,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

22. CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Capital management

The Group's primary objective 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 its shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-capital ratio. For this purpose, debt is defined as total debt (which includes bank loans and lease liabilities). Capital comprises all components of equity. In order to maintain the debt-to-capital ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's debt-to-capital ratio at 31 December 2020 and 2019 was as follows:

	2020 HK\$'000	2019 HK\$'000
Lease liabilities	2,390	4,213
Bank loans	6,665	22,251
Total debt	9,055	26,464
Capital	111,186	184,589
Debt-to-capital ratio	8%	14%

The Government of the Hong Kong Special Administrative Region (the "Government") requires contractors on the list of approved contractors for public works (the "List") to maintain such minimum working capital as the Government may from time to time determine (the "Required Minimum Working Capital"). A subsidiary of the Company is subject to the Required Minimum Working Capital as the subsidiary is a contractor on the List. Except for this, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and deposit with bank with original maturity date over three months is limited because the counterparties are banks and financial institutions with their sound credit ratings, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

Individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings and retention receivables in accordance with contracted terms. Trade receivables are generally due within 30 days upon receipt of progress certificates issued by the Group's customers. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationship with the Group, management does not consider the Group's credit risk to be significant. As 31 December 2020, 36% (2019: 33%) and 67% (2019: 82%) of the total trade receivables and contract assets (collectively, the "**Receivables**") was due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The expected credit loss rates are based on historical data adjusted by forward-looking information. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As at 31 December 2020, the Group estimated that the expected loss rate for trade receivables and contract assets was minimal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**(a) Credit risk (continued)**

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2020	2019
	HK\$'000	HK\$'000
Balance at 1 January	–	–
Impairment loss on a retention receivable (which is included in contract assets) recognised during the year (see note below)	531	–
Balance at 31 December	531	–

Note: Increase in days of retention monies withheld by main contractor over four years after the completion of the related contract works resulted in an increase in loss allowance of approximately HK\$531,000 (2019: HK\$nil).

Other receivables

Other receivables mainly include receivables for leasing of the Group's plant and equipment and disposal of the Group's machinery. The Group measures loss allowance for other receivables at an amount equal to 12-month ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	2020	2019
	HK\$'000	HK\$'000
Balance at 1 January	–	–
Impairment losses recognised during the year (see note below)	4,660	–
Amounts written off during the year	(4,480)	–
Balance at 31 December	180	–

The following significant changes in the gross carrying amount of other receivables contributed to the increase in the loss allowance:

- Increase in days past due over 180 days (which arose from disputes for the leasing of the Group's plant and equipment) resulted in an increase in loss allowance of HK\$4,660,000 (2019: HK\$nil); and
- A write-off of other receivable with an amount of HK\$4,480,000 (2019: HK\$nil) after final negotiation and agreement with the lessee for the settlement of dispute for the leasing of the Group's plant and equipment resulted in a decrease in loss allowance of HK\$4,480,000 (2019: HK\$nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the shorter and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For bank loans subject to a repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on the expected repayment dates with reference to the schedule of repayments set out in specific repayment term and, separately, the impact to the timing of cash outflow if the lender was to invoke its unconditional rights to call the loan with immediate effect.

	At 31 December 2020				Carrying amount at 31/12/2020 HK\$'000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	
Bank loans	6,716	–	–	6,716	6,665
Lease liabilities	1,199	811	477	2,487	2,390
Trade and other payables	37,043	7,990	21	45,054	45,054
Total	44,958	8,801	498	54,257	54,109

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	At 31 December 2019				Carrying amount at 31/12/2019 HK\$'000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	
Bank loans	16,118	6,716	–	22,834	22,251
Lease liabilities relating to leases previously classified under HKAS 17 as finance leases	1,281	616	175	2,072	2,000
Other lease liabilities (note)	611	636	1,113	2,360	2,213
Trade and other payables	43,149	857	817	44,823	44,823
	61,159	8,825	2,105	72,089	71,287
Adjustments to present cash flows on bank loans based on lender's right to demand repayment	6,133	(6,716)	–	(583)	–
Total	67,292	2,109	2,105	71,506	71,287

Note: Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, pledged bank deposits, deposit with bank with original maturity date over three months, bank loans and lease liabilities. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management is set out in (i) below.

The Group does not anticipate significant impact to cash at banks, pledged bank deposits and deposit with bank with original maturity date over three months, because the interest rates of bank deposits are not expected to change significantly. Other than bank loans and the lease liabilities which carry interests at variable interest rates and fixed interest rates respectively the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from bank loans and lease liabilities.

However, the interest expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors of the Company are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed. The Group has not used financial derivatives to hedge against the interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Fixed rate borrowings:		
Lease liabilities	2,390	4,213
Variable rate borrowings:		
Bank loans	6,665	22,251

(d) Fair value measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020 and 2019.

24. CONTINGENT LIABILITIES

(a) Guarantees issued

As at 31 December 2020, surety bonds of HK\$nil (2019: approximately HK\$5,414,000) were given by an insurance company to the Group in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and its customers. The Group has provided guarantees of the above surety bonds. If the Group fails to provide satisfactory performance to its customers to whom surety bonds have been given, such customers may demand the insurance company to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such insurance company accordingly. The surety bonds will be released upon completion of the contract work. Deposits were placed with an insurance company for issuance of surety bonds, details of which are set out in note 17.

At the end of the reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Group.

(b) Litigation

In the ordinary course of the Group's business, the Group has been subject to a number of claims due to personal injuries suffered by third parties, employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors of the Company are of the opinion that such claims are well covered by insurance and will not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

25. MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the transactions with the following parties are considered to be related party transactions of the Group:

Name of related party	Relationship with the Group
Mr. LAW Fu Keung (“ Mr. Law ”)	The director of the Company
Ms. CHENG Fung Yi (“ Ms. Cheng ”)	Spouse of Mr. Law and the director of the Company

In addition to the transactions and balances disclosed elsewhere in these financial statements, particulars of significant transactions between the Group and the above related parties during the reporting period are as follows:

(a) Transactions with key management personnel

All members of key management personnel of the Group are the directors of the Company and their remuneration is disclosed in note 8.

In addition to the above, the Group entered into the following transactions with key management personnel:

Recurring transactions

	2020 HK\$'000	2019 HK\$'000
Lease payments made to Mr. Law and Ms. Cheng (including capital element and interest element of lease rentals paid)	300	300

The directors of the Company consider that the above related party transactions during the year were conducted on mutually agreed terms in the ordinary course of the Group's business.

(b) Financing arrangements with related parties

At the end of the reporting period, the Group has the following balances with related parties:

	2020 HK\$'000	2019 HK\$'000
Lease liabilities due to Mr. Law and Ms. Cheng*	763	1,031

*: The lease liabilities due to Mr. Law and Ms. Cheng bear interest rate of 3.5% per annum and are repayable monthly by installments. The lease liabilities due to Mr. Law and Ms. Cheng are included in “Lease liabilities” (note 20).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

26. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Interests in subsidiaries	12	105,118	110,995
Current assets			
Prepayments		327	556
Cash and cash equivalents		60	10
		387	566
Current liabilities			
Accrued expenses		1,556	1,974
Net current liabilities			
		(1,169)	(1,408)
NET ASSETS			
		103,949	109,587
CAPITAL AND RESERVES			
Share capital	22(a)	16,000	16,000
Reserves		87,949	93,587
TOTAL EQUITY			
		103,949	109,587

Approved and authorised for issue by the board of directors on 31 March 2021:

LIU Xinyi
Director

WONG Chun Man
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the directors consider the immediate parent of the Company to be Victory Way Global Company Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

The directors regard ultimate controlling party of the Company to be Liu Xinyi.

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16, <i>Covid-19 – Related Rent Concessions</i>	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

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

	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
RESULTS					
Revenue	271,374	553,357	316,579	397,349	359,441
Gross (loss)/profit	(54,912)	13,718	43,563	58,815	34,535
(Loss)/profit before taxation	(74,240)	9,568	18,396	55,232	34,067
(Loss)/profit and total comprehensive (expenses)/ income for the year	(73,403)	7,179	12,236	45,611	28,467
ASSETS AND LIABILITIES					
Total assets	180,300	268,025	256,736	217,241	117,066
Total liabilities	(69,114)	(83,436)	(79,326)	(141,030)	(69,466)
Net assets	111,186	184,589	177,410	76,211	47,600

Note: The results for the years ended 31 December 2016 and 2017 have been prepared on a combined basis to indicate the results of the Group as if the Group structure had been in existence throughout the years presented. The figures for the years ended 31 December 2016 and 2017 have been extracted from the Prospectus.