Annual Report 2019

CHONG KIN
創建集團(控股)有限公司

CHONG KIN GROUP HOLDINGS LIMITED
創 建 集 團（控 股）有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1609

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Jinbing *(Chairman and Chief Executive Officer)*
Mr. Ni Biao

Independent Non-Executive Directors

Mr. Tam Ping Kuen Daniel
Dr. Zhu Zhengfu
Dr. Li Yifei

AUDIT COMMITTEE

Mr. Tam Ping Kuen Daniel *(Chairman)*
Dr. Zhu Zhengfu
Dr. Li Yifei

REMUNERATION COMMITTEE

Mr. Tam Ping Kuen Daniel *(Chairman)*
Dr. Zhu Zhengfu
Dr. Li Yifei

NOMINATION COMMITTEE

Mr. Zhang Jinbing *(Chairman)*
Mr. Tam Ping Kuen Daniel
Dr. Zhu Zhengfu
Dr. Li Yifei

COMPANY SECRETARY

Ms. Lee Eva

AUTHORISED REPRESENTATIVES

Mr. Zhang Jinbing
Ms. Lee Eva

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 1350, Clifton House, 75 Fort Street,
Grand Cayman, KY1-1108, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 6808, 68th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street,
P.O. Box 1350,
Grand Cayman, KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER AS TO HONG KONG LAW

D.S. Cheung & Co.

AUDITORS

KTC Partners CPA Limited

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of East Asia Limited
Citibank (Hong Kong) Limited
China Construction Bank Corporation
Bank of China (Hong Kong) Limited
China CITIC Bank Corporation Limited

STOCK CODE

01609

WEBSITE

www.chongkin.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Chong Kin Group Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), I am delighted to present the annual report of the Group for the year ended 31 March 2019 (the "**Year**").

REVIEW

For the year ended 31 March 2019, the revenue of the Group decreased slightly for approximately 1.8% from HK$428.7 million to HK$420.9 million. The decrease in revenue was primarily due to the continuing weakness of the foundations infrastructure market and keen competition among the market players which in turn resulted in reducing the contract value of individual projects. The reduced number of foundation contracts from both the public and private sectors of the construction industry had a negative impact on our revenue and profit margin, as both the revenue and the profit margin of new contracts undertaken in the Year under review decreased.

On 12 June 2018, the Group announced the plan to acquire 90% shareholdings of a new energy vehicle and logistics related service company in the PRC, namely Zhong Jun Kai Xuan Automotive Leasing Company Limited* (中軍凱旋汽車租賃有限公司) ("**Zhong Jun**"), completion of which took place on 22 October 2018. Through the acquisition of Zhong Jun, the Group embarked on significant new developments in the Year to enter into new energy vehicles and logistics related services industry in the PRC.

FORWARD

Given the keen competition in the domestic construction industry, it is expected that the business environment remains challenging, the Group will continue to take a relatively prudent operating strategy while evaluating the new contracts comprehensively, the Group will also strengthen the control level of the existing contracts, including budget management and cost control, as well as the collection of receivables and risk management, to ensure healthy and sustainable development of the Group's concrete placing business.

The Group is optimistic on the business growth and development of its new energy vehicles and logistics related business in China. The rapid growth of e-commerce, increasing investment in transportation infrastructure and the steady growth of industries using outsourced logistics services in China provide a good foundation for the Group to vigorously develop the new energy vehicle and logistics related business.

The increasing urbanization in China benefits the development of intra-city delivery, cities are expanding in size to cover more residents, indicating the huge demand for delivery in the country. The Group sees a great potential and growth in the development of logistics related business in China, it will continually dedicate in the high-end logistics markets by integrating the quality of services and positive vibes of investment.

On top of the positive environmental impact, the initiative of using new energy vehicles effectively integrates sustainable practices into the work and the services the Group offers to customers, one of the major benefits to the deployment of these new energy vehicle is increased service efficiencies as some Chinese cities restrict most vehicle access except the new energy vehicles.

The Group continues to evaluate suitable areas to diversify the business with the aim to deliver sustainable returns to the shareholders ("**Shareholders**"). On 14 January 2019, the Group announced the plan to acquire 90% shareholdings in Hua Yao Finance Leasing (Shenzhen) Company Limited* (華耀融資租賃（深圳）有限公司) ("**Hua Yao Finance**"), a finance leasing company registered in the PRC, completion of which took place on 23 April 2019. The Group believes that the acquisition of Hua Yao Finance will generate a new source of income of the Group and that Hua Yao Finance will have synergy effect with the business of Zhong Jun, as Zhong Jun will sell some of the new energy vehicles to self-employed drivers by way of finance leasing via Hua Yao Finance, which is one of the business development and cost saving measures of Zhong Jun.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all Shareholders, customers, subcontractors and business partners for their trust and support to the Group. I also appreciate our management and staff members for their persistent faith and significant contributions to the Group. In the coming years, we shall continue to explore new opportunities and strive for business growth to bring the best returns for our Shareholders.

Zhang Jinbing
Chairman

Hong Kong, 25 July 2019

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) the provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects in Hong Kong; and (ii) the provision of new energy vehicle and logistics related services in the PRC including new energy vehicle sales and leasing, road freight transportation, logistics park development and warehousing services and the research and development, production, sales and application of lithium-ion powder batteries.

As at 31 March 2019, the Group had 28 concrete placing contracts on hand, including contracts in progress and contracts which are yet to commence, with an estimated contract value of approximately HK$153 million. As at 31 March 2018, the Group had 50 concrete placing contracts on hand with an estimated contract value of approximately HK$371 million.

On 22 October 2018, the Group successfully held 90% of the shareholding in Zhong Jun through the acquisition of the entire issued share capital of Stand East Investment Limited ("**Stand East**"). The consideration for the acquisition was HK$458,880,000, and was satisfied by the issue and allotment of 152,960,000 shares ("**Consideration Shares**") of the Company, the Consideration Shares issued and allotted at an issue price of HK$3 was determined with reference to the then market price of the shares at the time of entering into the agreement.

On 27 November 2018, the Group announced the formation of a joint venture company, namely Henan Ping Chuang Xin Neng Yuan Co., Limited* (河南平創新能源有限公司) ("**Ping Chuang**"), through Zhong Jun with Henan Ping Mei Guo Neng Li Dian Co., Limited* (河南平煤國能鋰電有限公司), Zhong Jun will contribute RMB27,000,000 (equivalent to approximately HK$30,510,000) to the registered capital of Ping Chuang, representing 90% interest in the issued share capital at the time of the joint venture agreement. Ping Chuang is a company incorporated in the PRC, principally engaged in the business of assembling lithium-ion battery modules and packs, and the distribution of relevant products. As at the date of this report, Zhong Jun invested RMB10,000,000 into Ping Chuang, Ping Chuang is scheduled to put into production in the second quarter of 2019.

As such, during the Year, the Group successfully seized the new policy opportunities and diversified into new energy vehicle and logistics related business. As at 31 March 2019, the Group had 5,697 new energy vehicles, out of which 1,306 new energy vehicles had been in actual operation.

On 14 January 2019, the Group entered into the sales and purchase agreements ("**Agreements**") for the acquisition 90% of the equity interest in Hua Yao Finance Leasing, a finance leasing company in the PRC, at total consideration amount of HK$0.45 million satisfied by cash (the "**Acquisitions**"). Upon completion of the Acquisitions, the Group shall contribute to 90% of the registered capital of Hua Yao Finance Leasing in the sum of USD27,000,000 (equivalent to approximately HK$210,600,000). The Acquisitions was completed on 23 April 2019, the Group started finance leasing business in May 2019.

The Group believes that the acquisition of Hua Yao Finance Leasing will generate a new source of income of the Group and will have synergy effect with the business of Zhong Jun, as Zhong Jun will sell some of the new energy vehicles to self-employed drivers by way of finance leasing via Hua Yao Finance Leasing, which is one of the business development and cost saving measures of Zhong Jun.

* *For identification purpose only*

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased slightly by 1.8% to approximately HK$420.9 million as compared to approximately HK$428.7 million for the previous year. The revenue comprised of income from the concrete placing business of approximately HK$314.2 million (2018: HK$428.7 million), and income from the new energy vehicle and logistics related business of approximately HK$106.7 million (2018: nil). During the Year, the Group experienced decline in the domestic concrete placing business from the continuous weakness of domestic construction industry and the keen competitions in the campaign of concrete placing business.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Year amounted to approximately HK$39.7 million, representing a decrease of 47.1% as compared with HK$75.2 million for the previous year. The decrease was mainly attributable to the raising labour cost and subcontracting charge in the concrete placing business, and the rapid growth of the new energy vehicle and logistics related business which the Group is developing with an aim to achieve higher future gross margin. The gross profit margin for the Year was approximately 9.4%, as compared with 17.5% for the previous year.

Other Income

Other income mainly comprises rental income from leasing of machinery to third parties, interest income from life insurance policies, government grants and reimbursement of employees' compensation from insurers for its injured workers. During the Year, other income amounted to approximately HK$5 million as compared to approximately HK$11.9 million for the previous year. The decrease in other income was mainly attributable to the decrease in interest income from a loan receivable in the event of default on the part of borrower.

Fair Value Gain on Contingent Consideration Receivables

As stated in Note 19 to the consolidated financial statements, the fair value gain on contingent consideration receivable is related to profit guarantee of HK$20,000,000 by the vendor of Stand East for three financial years ending 31 December 2019, 2020 and 2021, represent the fair value of the profit guarantees in accordance with the share purchase agreements for the acquisition of Stand East and its subsidiaries, which is estimated by independent professional valuer.

The fair value gain on contingent consideration was estimated by applying income approach on the estimated profit of Stand East and its subsidiaries, varies with certain subjective assumptions, the variable and assumptions used in computing the fair value are based on the management's best estimate. During the year end 31 March 2019, fair value gain on contingent consideration receivables amounted to approximately HK$34.2 million (2018: nil) were recognised in the Consolidated Statement of Profit or Loss.

Impairment Loss on Goodwill

As stated in Note 18 to the consolidated financial statements, during the year ended 31 March 2019, goodwill amounted to approximately HK$116.7 million (2018: nil) was determined to be impaired, which mainly represented the elimination of the difference between the fair values of the shares of the Company based on closing price of HK$3.8 per share at the completion date of acquisition on 22 October 2018 and the issue price of the shares of the Company of HK$3 per share at the date of signing sale and purchase agreement on 12 June 2018 for the acquisition of Stand East.

Goodwill arising on acquisition of Stand East is determined on the fair value of the net identifiable assets acquired. The management of the Company has engaged an independent professional valuer to carry out a review on the fair value of the net identifiable assets acquired.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and Other Operating Expenses

The administrative and other operating expenses of the Group for the Year amounted to approximately HK$56 million, representing an increase of 23.4% compared with HK$45.4 million for the previous year. The increase mainly reflect the expanded business scale that result in the increase in staff costs and rental expenses during the Year.

Finance Costs

Finance costs for the Year was approximately HK$10.7 million, compared with HK$1.8 million for the previous year. The increase was mainly attributable to the increase in interest charges on the loan from the former substantial shareholder, and the interest charges on a secured loan from the Industrial Bank Company Limited for the financing of the acquisition of new energy vehicles.

Income Tax Expense

Income tax expenses primarily consists of current income tax and deferred income tax, the PRC subsidiaries of the Group are subject to the Enterprise Income Tax as determined under PRC tax laws and accounting standards.

Income tax expense decreased by 87.4% from HK$7.9 million for the previous year to approximately HK$1 million for the Year. The decrease was due to the decline in taxable income for the Year and the increase in tax credit from deferred income tax.

Loss for the Year

The Group incurred a loss for the Year amounted to HK$107.2 million, as compared to a profit of approximately HK$32 million for the previous year. The loss for the Year was mainly due to (i) the impairment loss on goodwill related to the segment of new energy vehicle and logistics related services; and (ii) the decrease in revenue from concrete placing business.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity for the Year and capital requirements primarily through capital contributions from shareholders, bank and other borrowings, cash inflows from operating activities and proceeds received from the initial public offering of the Company in the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) on 17 October 2016 (the “**Listing Date**”).

As at 31 March 2019, the Group had total cash and bank balances of approximately HK$45.5 million (2018: HK$21.8 million).

As at 31 March 2019, the Group had loan and interest receivable amounted to HK$55.5 million (2018: HK$213.5 million). As set out in Note 23 to the consolidated financial statements, the Company is in the legal proceedings against the borrower to recover the loan and interest receivables. The High Court has granted orders for sale against the assets of the borrower, the Company will execute such orders to recover the outstanding loan and interest receivables. Based on current assessment, the management believes that no impairment allowance is necessary in respect of those loan and interest receivables as the balances are considered fully recoverable.

The borrowings of the Group as at 31 March 2019 was approximately HK$397.2 million (2018: HK$127.2 million), the increase was mainly due to a secured loan approximately HK$238.4 million advanced from the Industrial Bank Company Limited for the financing of the acquisition of new energy vehicles.

As at 31 March 2019, the share capital and equity attributable to owners of the Company amounted to approximately HK$9,178,000 and HK$730,063,000 respectively (2018: HK$7,648,000 and HK$230,585,000 respectively).

Debts and Charges on Assets

The total borrowings of the Group consist of the former substantial shareholder's loan, bank borrowings and finance leases, increased from HK$127.2 million as at 31 March 2018 to approximately HK$397.2 million as at 31 March 2019. Borrowings were denominated in Hong Kong dollars and Renminbi, interests are charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy.

As at 31 March 2019, the Group's machinery and equipment with an aggregate net book value of approximately HK$33.7 million (2018: HK$2.2 million) were charged under finance leases.

As at 31 March 2019, the Group's machinery and equipment with an aggregate net book value of approximately HK$33.4 million (2018: nil) and inventories approximately HK$169.7 million (2018: nil) were pledged under a secured loan from the Industrial Bank Company Limited.

Foreign Exchange Risk

The Group's revenue and operating transactions were mostly denominated in Hong Kong dollars and Renminbi, The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments.

Gearing Ratio

Gearing ratio is calculated by dividing all debts by total equity at the year end date and expressed as a percentage. Debts are defined to include payables not incurred in the ordinary course of business. The gearing ratio of the Group as at 31 March 2019 was approximately 52.7% (2018: 55.2%). As a result of the increased equity from the issue and allotment of 152,960,000 Consideration Share for the acquisition of Zhong Jun, the Group's gearing ratio decreased.

Employees and Remuneration Policy

As at 31 March 2019, the Group had a staff roster of 576 (2018: 564). The related staff costs (including directors' emoluments) for the Year amounted to approximately HK$207.5 million (2018: HK$226.6 million). The remuneration of employees was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Capital Commitments

The Group did not have significant capital commitments at 31 March 2019 (2018: nil).

Contingent Liabilities

Details of the contingent liabilities are set out in Note 39 to the consolidated financial statements.

Events after the Reporting Period

Details of events after the reporting period are set out in Note 41 to the consolidated financial statements.

Dividend

The Board does not recommend the payment of a final dividend for the year (2018: nil).

Use of Net Proceeds from the Listing

Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. The receipts of the proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("**Net Proceeds**") from the Listing were approximately HK$57.2 million. The use of proceeds has been consistent with the disclosure in the prospectus of the Company issued on 30 September 2016 (the "**Prospectus**") in connection with its Listing. The total Net Proceeds received were applied by the Group during the period from the Listing Date up to 31 March 2019 are as follows:

Use of Net Proceeds:	**Planned use of proceeds** HK$'000	**Actual use of proceeds from the Listing Date to 31 March 2019** HK$'000	**Unused amount** HK$'000
Acquisition of machinery and related parts	23,103	23,103	–
Expansion of its workforce both at office level and worksite level	6,429	6,429	–
Repayment of the outstanding finance leases	11,050	11,050	–
Repayment of the outstanding bank borrowings	11,050	11,050	–
General working capital	5,524	5,524	–
Total	57,156	57,156	–

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. Zhang Jinbing (張金兵先生) ("**Mr. Zhang**"), aged 47, is an executive Director, Chairman of the Board and chairman of nomination committee of the Company. Mr. Zhang is also the controlling shareholder (as defined in the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) of the Company. He graduated with a Bachelor of Arts degree from Guangzhou Foreign Language Institute in 1994. Mr. Zhang has extensive experience in corporate management. Mr. Zhang has served as Co-Chairman of the board of directors and non-executive Director of WE Solutions Limited ("**WE Solutions**") (stock code: 860), a company listed on the Stock Exchange since 24 November 2017. He was an executive Director of WE Solutions for the period from January 2015 to 23 November 2017 and Chairman of WE Solutions for the period from June 2015 to 23 November 2017. Mr Zhang has also served as Chairman and executive Director of State Energy Group International Assets Holdings Ltd (stock code: 918), a company listed on the Stock Exchange since October 2018. He was also an executive director of Synertone Communication Corporation (stock code: 1613), a company listed on the Stock Exchange, for the period from August 2012 to April 2014.

Mr. Ni Biao (倪彪) ("**Mr. Ni**"), aged 55, is an executive Director. Mr. Ni obtained a Bachelor's degree in Economics and Management from 中共中央黨校附屬函授學院 (Central Party School of the Central Committee of the Communist Party of China*) in June 1988 and an Executive Master of Business Administration from Cheung Kong Graduate School of Business in 2012. Mr. Ni was also awarded a certificate in international chief executive officers programme by the Overseas Education College Shanghai Jiaotong University in November 2013. Mr. Ni has over 23 years of experience in management. He has been a director and chairman of the board of 杭州恒豐控股有限公司 (Hangzhou Hengfeng Holdings Ltd.*) since November 2000 and 杭州江濱一號健身有限公司 (Hangzhou Jianbin Yihao Ltd.*) since February 2008. He also joined 奧高國際(杭州)高爾夫教育科技股份有限公司 (Ao Gao Guoji (Hangzhou) Golf Education Holdings Ltd.*) in May 2016 as the director and chairman of the board. Mr. Ni is currently the vice president of 浙江省高爾夫球協會 (Zhejiang Golf Association*), the managing director of 浙江總會 (The General Association of Zhejiang*) and the vice-chairman of 浙江省僑商會 (Zhejiang Association of Overseas Chinese Entrepreneurs*). Prior to joining the Company, Mr. Ni was a director of 杭州廣安經濟發展有限公司 (Hangzhou Guangan Economics Development Ltd.*) from February 1995 to March 1998. He was also a director and general manager of 浙江申大進出口有限公司 (Zhejiang Shenda Import and Export Trade Company Ltd.*) from April 1998 to May 2012 and a director and general manager of 杭州經豐置業有限公司 (Hangzhou Jingfeng Zhiye Ltd.*) from July 2004 to September 2015. Mr. Ni was appointed as the Dean of the Overseas Education College Shanghai Jiaotong University Golf Branch from 2012 to 2016.

* *for identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Dr. Zhu Zhengfu (朱征夫博士) ("**Dr. Zhu**"), aged 54, is an independent non-executive Director. Dr. Zhu is member of the audit committee, the remuneration committee and the nomination committee of the Company. He obtained the qualification of an independent director jointly awarded by the China Securities Regulatory Commission and School of Management, Fudan University (復旦大學) in the PRC in April 2002. Dr. Zhu received a Master's and Doctoral degree in laws from Wuhan University (武漢大學), the PRC in July 1987 and December 1997 respectively. Dr. Zhu is also a member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會) and the vice president of All China Lawyers Association (中華全國律師協會). Dr. Zhu is an independent non-executive director of Dongjiang Environmental Company Limited (東江環保股份有限公司) (stock code: 895) (the shares of which are listed on the Stock Exchange), Zall Group Ltd. (卓爾集團股份有限公司) (stock code: 2098) (the shares of which are listed on the Stock Exchange), Guangdong Guangzhou Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司) (stock code: 2181) (the shares of which are listed on Shenzhen Stock Exchange) and Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司) (stock code: 600048) (the shares of which are listed on Shanghai Stock Exchange). He is also an independent director of Wuhan Sante Cableway Group Co Ltd (武漢三特索道集團股份有限公司) (stock code: 002159) (the shares of which are listed on Shenzhen Stock Exchange). Dr. Zhu was an independent non-executive director of Beijing Honggao Creative Construction Design Co., Ltd. (北京弘高創意建築設計股份有限公司) (stock code: 2504) (the shares of which are listed on Shenzhen Stock Exchange) for the period from November 2014 to November 2017, a member of the supervisory committee of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司) (stock code: 317) (the shares of which are listed on the Stock Exchange) since May 2011 and an independent non-executive director of WE Solutions for the period from May 2015 to November 2017.

Dr. Li Yifei (李亦非博士) ("**Dr. Li**"), aged 54, is an independent non-executive Director. Dr. Li is member of the audit committee, the remuneration committee and the nomination committee of the Company. He graduated from the School of Economics of Wuhan University in 1985 and obtained a Doctoral degree in Economics in December 2000. Dr. Li is the chairman of the board of directors of Guangzhou Huayi Enterprise Group Co., Ltd. (廣州華藝企業集團有限公司), a committee member of the Guangdong Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會), president of Guangzhou Dayi Culture and Arts Fund (廣州市大藝文化藝術基金會) and member of the board of directors of Wuhan University. Dr. Li was also an independent non-executive director of WE Solutions for the period from May 2015 to November 2017.

Mr. Tam Ping Kuen Daniel (譚炳權), ("**Mr. Tam**"), aged 55, is an independent non-executive Director. He is chairman of the audit committee and remuneration committee and member of nomination committee of the Company. Mr. Tam has over 25 years of experience in accountancy and management and is the founder of Daniel Tam & Co., Certified Public Accountants (Practising). Mr. Tam holds a Master of Science in Financial Economics degree from the University of London in 1995. He is an associate member of the Hong Kong Institute of Certified Public Accountants and he has been a fellow member of the Association of Chartered Certified Accountants since 1996. Mr. Tam has been appointed as an independent non-executive director of WE Solutions since May 2006.

SENIOR MANAGEMENT

Ms. Shang Yan Ling (尚研玲女士) ("**Ms. Shang**") is a director of Zhong Jun, one of the major operating subsidiaries of the Group carrying out the transportation and logistics related business in the PRC. Ms. Shang is responsible for overall management, business strategy and development of Zhong Jun. Ms. Shang has been a shareholder, legal representative and managing director of 江門天譽粉煤灰貿易有限公司 (Zhengmin Tianyu Coal Trading Company Limited*) and its subsidiaries since 2007 which provided logistics services to a large corporation in the PRC. She is also the Founder and the director of 廣合聯豫科技有限公司 (Guang He Lian Yu Technology Limited*), and the deputy general manager of 洛陽東風新能源汽車有限公司 (Luoyang Dong Feng New Energy Motor Co Ltd*), responsible for developing and operating the management team as well as external financing since 2014.

Mr. Hu Hai Bo (胡海波先生) ("**Mr. Hu**") is senior assistant of president of Zhong Jun. Mr Hu was a director of value chain cooperation division Heshan Dongfeng new energy technology Company Limited (鶴山東風新能源科技有限公司) since December 2017 and was responsible for customer and supply chain cooperation of electric logistics vehicle. Mr. Hu obtained Master degree in engineering and has over 14 years experience in the field of supply chain management and value chain cooperation.

Ms. Lee Eva (李綺華女士) ("**Ms. Lee**") is the company secretary of the Company. Ms. Lee is admitted as a solicitor in Hong Kong and focusing on capital markets and corporate finance work. Ms. Lee graduated from the London School of Economic and Political Science with Masters of Laws (Distinction).

Ms. Chan Mui (陳梅女士) ("**Ms. Chan**") is the Financial Controller of the Company, responsible for overseeing the financial reporting, financial management and internal control of the Company. Ms. Chan is a fellow member of the Association of Chartered Certified Accountants. She has extensive experience in the auditing, accounting and financial management. Before joining the Group, Ms. Chan worked for several companies listed on the Stock Exchange.

Mr. Cheung Yuk Kei (張玉其先生) ("**Mr. Cheung YK**"), aged 59, is a director of the four major operating subsidiaries of the Group carrying out the concrete placing and other ancillary services business, Kam Fung Engineering Limited, Global Sunny Engineering Limited, Sang Fu Engineering Limited and Richway Mechanical Engineering Co., Limited. Mr. Cheung YK is primarily responsible for monitoring projects of the concrete services business of the subsidiaries. Mr. Cheung YK has over 35 years of experience in the concrete services industry in Hong Kong.

Mr. Fung Chi Chung (馮志忠先生) ("**Mr. Fung**"), aged 55, is a general manager of the four major operating subsidiaries of the Group carrying out the concrete placing and other ancillary services business, Mr. Fung has over 30 years of experience in the construction and engineering industry in Hong Kong. He is primarily responsible for overseeing daily execution of site operation and monitoring occupational health, safety and environmental compliance of the subsidiaries.

COMPANY SECRETARY

Ms. Lee Eva is the company secretary of the Company. Details of her qualifications and experience are set out in the paragraph headed "Senior management" in this section.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are crucial to improve the efficiency and performance of the Group and to safeguard the interests of the Shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company.

CORPORATE GOVERNANCE CODE

The Company has applied the principles of and complied with the applicable code provisions (the "**Code Provisions**") as set out under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Year. The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements of the Model Code during the Year.

Securities Transactions by Senior Management and Staff

The senior management and staff have been individually notified and advised about the Model Code by the Company.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code. As at the date of this annual report, the Board has reviewed and monitored (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the CG Code disclosure requirements.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director shall receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In compliance with Code Provision A.6.5 of the CG Code, all the Directors have participated in continuous professional development organized in the form of in-house training and seminars to keep them refreshed of their knowledge and skill and understanding of the Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the Listing Rules and corporate governance practices from time to time.

The training of each Director received during the Review Period is summarised as below:

Name of Director	**Reading materials regarding regulatory update and corporate governance matters**	**Attending seminars/in-house training relevant to the Company's business, Listing Rules compliance and risk management**
Executive Directors		
Mr. Zhang Jinbing *(Chairman & Chief Executive Officer)*	√	√
Mr. Ni Biao	√	√
Independent non-executive Directors		
Mr. Tam Ping Kuen Daniel (appointed on 3 September 2018)	√	√
Dr. Zhu Zhengfu	√	√
Dr. Li Yifei	√	√
Mr. Tse Chi Wai (retired on 31 August 2018)	—	—

CORPORATE GOVERNANCE REPORT

THE BOARD

Role and function

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. Further details of these committees are set out in the sections headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

Composition

As at the date of this annual report, the Board currently comprises five members, consisting of two executive Directors and three independent non-executive Directors. The List of Directors is set out in the section headed "Directors' Report" of this annual report.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. Biographical details of the Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 9 to 11 of this annual report.

The Directors have no financial, business, family or other material or relevant relationship with each other.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

Board Meetings

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

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held as at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. During the Year, a total of 27 Board meetings and two general meetings were held and the attendance records are as follows:

Name of Director	Meetings attended/ Number of general meetings attended	Meetings attended/ Number of Board meetings
Executive Directors		
Mr. Zhang Jinbing *(Chairman and Chief Executive Officer)*	2/2	27/27
Mr. Ni Biao	0/2	22/27
Independent non-executive Directors		
Dr. Zhu Zhengfu	0/2	26/27
Dr. Li Yifei	0/2	26/27
Mr. Tam Ping Kuen Daniel (appointed on 3 September 2018)	0/2	13/27
Mr. Tse Chi Wai (retired on 31 August 2018)	0/2	13/27

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Jinbing was appointed as the Chairman of the Board and chief executive officer of the Company since 12 January 2018. Notwithstanding the deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Group's business strategies and provide a strong and consistent leadership to the Group. The Board considers that the appointment of Mr. Zhang Jinbing as the Chairman of the Board and the chief executive officer of the Company will not impair the balance of power as all major decisions are made in consultation with members of the Board. In addition, under the supervision by the Board which currently consists of two executive Directors and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

INDEPENDENT NON-EXECUTIVE DIRECTORS

On 31 August 2018, Mr. Tse Chi Wai ("**Mr. Tse**") ceased to be an independent non-executive Director, chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee as he did not stand for re-election at the annual general meeting of the Company held on 31 August 2018 following retirement by rotation.

Following the retirement of Mr. Tse on 31 August 2018, (i) the number of independent non-executive Directors had fallen below the minimum requirements under Rule 3.10(1) and Rule 3.10A of the Listing Rules; (ii) the number of members in the Audit Committee had fallen below the minimum number required under rule 3.21 of the Listing Rules; and; that (iii) the Company was required to appoint an independent non-executive Director who possessed the professional qualification as required under Rule 3.10(2) of the Listing Rules.

On 3 September 2018, Mr. Tam Ping Kuen Daniel ("**Mr. Tam**") has been appointed as independent non-executive Director, chairman of the Audit Committee and Remuneration Committee and member of the Nomination Committee. Following the appointment of Mr. Tam, the Company has fulfilled the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.23 of the Listing Rules.

Except as disclosed above, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors.

The independent non-executive Directors are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the independent non-executive Directors brings his own relevant expertise to the Board and its deliberations. None of the independent non-executive Directors has any business or financial interests with the Group nor has any relationship with other Directors.

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has currently appointed three independent non-executive Directors for a term of two years commencing from their respective dates of appointment. All of the three independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise. No less than one-third of the Directors are subject to retirement by rotation at each annual general meeting in accordance with the amended and restated memorandum and articles of association of the Company.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

Nomination Policy

The Board has adopted the following policies for the nomination of directors.

Selection Criteria

In determining the suitability of a candidate, the Nomination Committee and the Board shall consider the potential contributions that a candidate can bring to the Board and/or the Group.

The Nomination Committee would consider a candidate in terms of qualifications, skills, experience, independence and other factors. The following shows a non-exhaustive list of selection criteria:

- the candidate's race, reputation, character and integrity;
- the candidate's qualifications, skills, knowledge, business judgment and experience which are relevant to the operations of the Group; and
- the relevant factors set out in the board diversity policy of the Company (as amended from time to time).

Nomination Procedures

The evaluation, recommendation, nomination, selection and appointment or re-appointment of each proposed Director shall be assessed and considered by the Nomination Committee and the Board against the selection criteria and the board diversity policy of the Company.

In the context of appointment of any proposed candidate to the Board:

- the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of candidates, including referrals from the Directors, shareholders, management, advisers of the Company;
- the Nomination Committee shall identify and ascertain the character, qualification, knowledge and experience of the candidate and perform adequate due diligence in respect of such candidate; and
- the Nomination Committee shall make recommendations by submitting the candidate's personal profile to the Board for its consideration.

CORPORATE GOVERNANCE REPORT

According to the articles of association of the Company (the "**Articles of Association**"), any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is appointed for a specific term and is subject to retirement by rotation at least once every three years.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Ni Biao and Mr. Tam Ping Kuen Daniel will retire from office at the forthcoming annual general meeting of the Company (the "**AGM**") and being eligible, offer themselves for re-election.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board Committees of the Company are established with defined written terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange and are available to Shareholders upon request.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel (appointed on 3 September 2018 following the retirement of Mr. Tse Chi Wai on 31 August 2018), Dr. Zhu Zhengfu and Dr. Li Yifei. Mr. Tam Ping Kuen Daniel is the chairman of the Audit Committee.

The primary responsibilities of the Audit Committee include:

- to be primarily responsible for making recommendations and advice to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;

- to review and monitor the external auditors' independence and objectivity and the effectiveness of the internal audit process in accordance with applicable standards;

- to develop and implement policy on engaging an external auditors to supply non-audit services, and to review and monitor the extent of non-audit works undertaken by external auditors;

- to monitor the integrity of financial statements and the annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them;

- to discuss the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have an effective risk management and internal control systems; and

- to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board and monitor the Group's policies and practices on compliance with legal and regulatory requirements.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

During the Year, the Board had no disagreement with the Audit Committee's view on the re-appointment of the external auditors. The financial statements for the Year and this annual report have been reviewed by the Audit Committee.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. Six meetings were held for the year ended 31 March 2019, issues concerning the financial reporting and internal control were discussed, the attendance of each member is set out as follows:

Audit Committee	**Meeting attended/ Eligible to attend**
Mr. Tam Ping Kuen Daniel (Chairman) (appointed on 3 September 2018)	2/6
Dr. Zhu Zhengfu	5/6
Dr. Li Yifei	4/6
Mr. Tse Chi Wai (retired on 31 August 2018)	3/6

NOMINATION COMMITTEE

The Nomination Committee comprises four members, namely Mr. Zhang Jinbing, Mr. Tam Ping Kuen Daniel (appointed on 3 September 2018 following the retirement of Mr. Tse Chi Wai on 31 August 2018), Dr. Zhu Zhengfu and Dr. Li Yifei. Mr. Zhang Jinbing is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include:

- review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive Directors;
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer; and
- conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and articles of association of the Company or imposed by the Listing Rules or applicable law.

Meeting of the Nomination Committee shall be held at least once a year. Three meetings was held during the Year, issues concerning revision of the structure size and composition of the Board and the board diversity policy were discussed, the attendance of each member is set out as follows:

Nomination Committee	**Meeting attended/ Eligible to attend**
Mr. Zhang Jinbing *(Chairman)*	3/3
Mr. Tam Ping Kuen Daniel (appointed on 3 September 2018)	0/3
Dr. Zhu Zhengfu	3/3
Dr. Li Yifei	3/3
Mr. Tse Chi Wai (retired on 31 August 2018)	2/3

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Tam Ping Kuen Daniel (appointed on 3 September 2018 following the retirement of Mr. Tse Chi Wai on 31 August 2018), Dr. Zhu Zhengfu and Dr. Li Yifei. Mr. Tam Ping Kuen Daniel is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include:

- consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;
- make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- make recommendations to the Board on the remuneration packages of individual executive Directors and senior management below Board level;
- make recommendations to the Board on the remuneration of independent non-executive Directors;
- consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
- review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
- ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
- conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and articles of association of the Company or imposed by the Listing Rules or applicable law.

The Remuneration Committee takes into consideration industry practices and norms in compensation, in addition to the performance relative to the industry and the performance of the individual Directors. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

Meeting of the Remuneration Committee shall be held at least once a year. Three meetings were held during the Year concerning the determination of remuneration of the Directors, the attendance of each member is set out as follows:

Remuneration Committee	Meeting attended/ Eligible to attend
Mr. Tam Ping Kuen Daniel (Chairman) (appointed on 3 September 2018)	0/3
Dr. Zhu Zhengfu	3/3
Dr. Li Yifei	3/3
Mr. Tse Chi Wai (retired on 31 August 2018)	2/3

AUDITORS' REMUNERATION

The Audit Committee of the Group is responsible for considering the appointment and re-election of external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Group. KTC Partners CPA Limited has been re-appointed as the auditor of the Group. The statement of the external auditors of the Group regarding their reporting responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 49 to 57 of this annual report.

The remuneration of external auditors of the Group, KTC Partners CPA Limited, in respect of audit services and non-audit services for the year ended 31 March 2019 is set out below:

Services rendered	Fees paid/payable HK'000
Audit services	1,400
Non-audit services	625
	2,025

DIVIDEND POLICY

The dividend policy of the Company is to distribute to its Shareholders the funds surplus to the operating needs, current and future business development of the Group as determined by the Board. The Company may declare and pay dividends to the Shareholders subject to the criteria as set out below.

In accordance with the Articles of Association and subject to the relevant laws of the Cayman Islands, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the relevant laws under the Cayman Islands.

CORPORATE GOVERNANCE REPORT

Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose an dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effect on the credit lines, the capital requirements, the current and future development plans of the Company, the interests of the Shareholders, dividends received from the Company's subsidiaries and associate companies, and other factors that the Board considers relevant.

The Board will review the dividend policy from time to time and reserve its sole and absolute right to update, amend, modify and/or cancel the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board oversees the Group's the overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavours to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) — Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified;

2. The senior management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented;

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal controls systems.

The risk management framework, coupled with the internal controls of the Group, ensures that the risks associated with different business units are effectively controlled in line with the Group's risk appetite.

The Group does not have an internal audit department. The Group has conducted an annual review on whether there is a need for such an internal audit department is required. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. Nevertheless, the Group engaged an external consultant, Eternal Bright Consultants Limited, for internal control to conduct review on the internal control system of the Group during the Year and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacies of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board concluded that the Group's risk management and internal control systems were in place and effective.

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

COMPANY SECRETARY

The Company has engaged Ms. Lee Eva ("**Ms. Lee**") as the company secretary. In compliance with rule 3.29 of the Listing Rules, Ms. Lee has confirmed that she has undertaken no less than 15 hours of relevant professional training during the year in compliance with Rule 3.29 of the Listing Rules. Her biographical details are set out in the section headed "Biographies of Directors and Senior Management".

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

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

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

The forthcoming AGM of the Company will be held on Friday, 30 August 2019. The notice of the AGM, setting out details of each proposed resolutions, voting procedures and other relevant information, will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDERS' RIGHTS

General meeting

The general meeting of the Company provides an opportunity for communication between the Shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates are available to answer questions at the Shareholders' meetings. The auditor of the Company is also invited to attend the Company's AGM and is available to assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditors' Report. Separate resolutions are proposed at the AGM on each substantial issue, including the election of the individual Directors.

At any general meeting, a resolution put to the vote of the meeting shall be decided by poll save that the Chairman of the meeting may, pursuant to the Listing Rules, allow a resolution be voted by a show of hands, in accordance with Article 72 of the Articles of Association. The Chairman will explain such rights and procedures during the AGM before voting on the resolutions.

Pursuant to Article 64 of the Articles of Association, Shareholders can make a requisition to convene an extraordinary general meeting ("**EGM**"). The procedures for the Shareholders to convene an EGM are as follows:

(1) any one or more Shareholders (the "**Requisitionist**") holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

(2) 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) shall be reimbursed by the Company.

Procedures for putting forward proposals at shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group at shareholders' meeting. Proposals shall be sent to the Board or the company secretary by written requisition of his/her proposal (the "**Proposal**") together with his/her detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong at Room 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong in the manner as set out above.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- at least 21 days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in an EGM or resolution of the Company in an AGM.

- at least 14 days' notice in writing if the Proposal requires approval in any other EGM.

Shareholders' enquiries

For matters in relation to the Board, Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at Room 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (Tel: +852 2123 8400, Fax: +852 2123 8402).

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividends warrants, the registered Shareholder can contact:

Branch Share Registrar and Transfer Office in Hong Kong
Tricor Investor Services Limited
Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

CONSTITUTIONAL DOCUMENTS

During the Year, there is no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

Chong Kin Group Holdings Ltd, its subsidiaries and its joint venture (together, the "**Group**" or "**we**") are pleased to present our Environmental, Social and Governance Report (the "**ESG Report**"). The report concerns environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment to ensure that our activities, at all levels, are economically, socially and environmentally sustainable. Additional information in relation to the Group's corporate governance and financial performance can be referred to our 2018–2019 annual report for the year ended 31 March 2019.

The "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") which is set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is the reporting framework of this ESG Report.

The scope of the ESG Report covers the environmental and social performances of the principal operating activities of the Group, which were principally engaged in the provision of new energy vehicles and logistics related services in the PRC, and the provision of, concrete placing and other ancillary services in Hong Kong, spanning over the period from 1 April 2018 to 31 March 2019 (the "**Reporting Period**" or "**FY2018–2019**").

With reference to the ESG Reporting Guide and the Group's business operation, the presentation of our ESG Report divides the relevant aspects and Key Performance Indicators ("**KPI**"), which are considered to be relevant and material to the Group, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments.

A complete index in compliance with the ESG Reporting Guide is also available at the end of this report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide.

The Group is determined to be a responsible enterprise and is committed to perfecting its business and improving the local community. In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most.

We define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. Throughout this report, we focus on the aspects that are material to stakeholders including clients, communities, employees, institutions, governments, non-governmental organizations, shareholders, subcontractors, suppliers and industry associations. The Group is working to create a sustainable growth for the benefit of all our stakeholders.

We welcome comments and suggestions from our stakeholders. You may provide your comments or views with respect to this ESG Report or our sustainability initiatives via email to info@chongkin.com.hk.

2. OUR KEY ACHIEVEMENT IN CORPORATE SOCIAL RESPONSIBILITY

The Group has been spending remarkable efforts on various aspects of the Corporate Social Responsibility (CSR), including greenhouse gas reduction, development and training opportunities for employees, environmental compliance, health and safe work environment for employees.

3. PROTECTING THE ENVIRONMENT

3.1. Corporate Environmental Policy and Compliance

In recent years, the People's Republic of China (PRC) has made great efforts in promoting the construction of a green and low carbon environment and ecological civilisation. In response to this national strategy, the Group is committed to upholding high environmental standards and to disseminating the concept of sustainable and green development via reducing waste discharge, carbon footprint and resource consumption, devoting human and financial resources for environmental conservation and promoting a harmonious and sustainable development among people, society and the environment. With new energy vehicles as the carrier, the Group strives to promote green logistics, to achieve the purification of the logistics environment, to meet the strategic needs of sustainable development, and to make the most efficient use of logistics resources for the community we all live in.

As a company that has diversified business, including concrete services in Hong Kong, financial leasing and transportation and logistics in the PRC, the Group considers the Earth, our precious planet, as the most valuable asset for us. As such we endeavour to protect this planet and bring innovative solutions to our operations by using environmentally-friendly means to save costs, conserving natural resources and spreading awareness of protecting the environment amongst our employees and our community in order to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas ("**GHG**") emission, as well as discharge of waste, sewage and other pollutants. Our Group's legal team have been working closely with our business units to assess the impact of those promulgated environmental protection laws and regulations. During the Reporting Period, the Group complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

During the Reporting Period, the Group engaged the Hong Kong Quality Assurance Agency to conduct regular authentication of its ISO 14001 certification for waste management and resource provision in our construction works. We understand that the operation of machinery and equipment and the construction processes create noise, which may affect people nearby. As such. the Group strictly implement the guidelines with respect to construction noise pollution by our main contractors and comply with the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong). Under the Ordinance, all constructions activities are governed and should only be carried out when the Construction Notice Permit ("**CNP**") is granted by the EPD.

3.2. Exhaust Gas and GHG Emissions

3.2.1. Emission Status in Hong Kong

The principal business of the Group in Hong Kong includes concrete services. The greenhouse gas (GHG) emissions of the Group were mainly generated by electricity and fuels consumed for our operation. In order to reduce waste and minimize the consumption of electricity to better address GHG emission issues, the Group has implemented various energy-saving measures, and have opted for more energy efficient fuel, such as Shell FuelSave Diesel, for most of its machinery and vehicles.

In its endeavours to reduce emissions of air pollutants and noxious odours from our operation, the Group, during the Reporting Period, complies with the following environmental protection laws of Hong Kong covering greenhouse gas and waste water emissions, solid waste management and noise pollution, and has obtained various international certifications to underscore its environmental commitment in the development of its business in a sustainable manner.

- Machines have been granted with approval and are duly labelled (or have been exempted) as Non-road Mobile Machinery (NRMM) by the Environmental Protection Department (EPD) pursuant to the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) (Non-road Mobile Machinery) (Emission) Regulation.

- In compliance with the internationally accepted ISO 14001 Standard, we carry out constant review of existing works, planning and implementation of new initiatives, progress monitoring and pursuit of advancement, with an objective to maximize the effectiveness of energy-saving measures as well as reducing emissions and waste.

- All construction works must comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Construction Dust) Regulation and Waste Disposal Ordinance. Under the amendment of the Air Pollution Control Ordinance in 2008 by the EPD, the Group ensures that the machines are compliant with the prescribed emission standards.

3.2.2. Emission Status in the PRC

The principal business of the Group in the PRC includes financial leasing and transportation and logistics services. During the Reporting Period, to better manage our GHG emissions, the Group adopts multiple initiatives to achieve a greener transportation and logistics operation, including:

- engaging new energy vehicles as the carrier to achieve “Green Logistics” with the aim to reduce carbon footprint, reduce GHG emissions and increase the cost-effectiveness of logistics resources;

- maintaining indoor temperature at an optimal level for comfort;

- turning off of air-conditioning at night or when leaving the office;

- keeping the office temperature at 25ºC in summer;

- providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule;

- replacement of conventional lighting in the office with LED or energy-saving units;

- bringing in natural lighting and facilitating air ventilation amongst office spaces;
- encouraging employees to switch off machines and devices, such as computers and monitors when not in use;
- automatic switch-off timers as well as motion sensors were installed in offices to enhance our energy performance;
- encouraging employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement; and
- placing "Green Message" reminders on office equipment and workplace to further enhance employees' environmental awareness and best practice in environmental management.

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Emissions" during the Reporting Period is tabulated below.

Table 1 — Emissions during the Reporting Period

	Unit	FY2018–2019	Intensity
GHG Emissions	CO_2e (kg)	121,090	210.23
Nitrogen Oxides	g	5,880	10.21
Sulphur Oxides	g	152	0.26
Particulate Matter	g	433	0.75

3.3. Waste Management

3.3.1. Waste Management Policy

Recognising that waste is one of the environmental impacts that arises from our operations, we are committed to carefully managing and reducing the amount of waste generated through a holistic approach. The core principle is to reduce consumption and to recycle or convert waste materials into useful resources for the community. In view of our diversified business activities, we have adopted different approaches to managing hazardous and non-hazardous waste.

While educating our employees the significance of sustainable development to enhance their skills and knowledge in sustainable development, we constantly encourage all employees to reduce paper usage by duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents.

We maintain 100% recycling of used toner cartridges by collecting and returning all used cartridge to recycling agents. We encourage the use of hand-dryers in washroom to reduce consumption of paper towels. The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation.

3.3.2. Hazardous Waste and Non-hazardous Waste

The Group's business, by nature, does not directly produce hazardous waste throughout any part of our activities. Regarding our transportation operation, used engine oil is collected by a registered waste collector to ensure proper treatment and to reduce impacts on the environment.

With respect to the construction operation, the Group upholds environmentally friendly standards and regulatory requirements in treating waste within its business operations. Special personnel are assigned to each project of the Group to oversee operations and ensure that construction waste can be processed in a timely and effective manner. Waste handling, transportation and disposal procedures are managed appropriately on-site by the main contractor of the construction project, to ensure that the waste management process is environmentally acceptable and in full compliance with statutory and contractual requirements. Waste management plan of the Group covers our daily working activities with an objective to systemically and strategically reduce waste, maximise the use of reusable and recyclable materials and encourage the upcycling of construction waste. Therefore, these key performance indicators (KPIs) are not significant to the Group's operation, and have not been disclosed in this report.

With respect to our office operations in Hong Kong and China, the non-hazardous wastes generated are mainly domestic waste, among which, recyclable wastes, such as paper, will be recycled for reuse. Our waste management practice is compliant with laws and regulations relating to environmental protection. The Group has also implemented policies to reduce waste generation through environmental education, aiming at waste management from the source.

3.3.3. Wastewater Discharge

With a goal to minimise the impact of wastewater pollution at the construction sites, the Group set up a wastewater collection basin at each site for wastewater handling with reference to the guidelines from main contractors. In addition, wastewater treatment facilities were set up for each site, to discharge any wastewater during the Reporting Period.

With respect to the wastewater management for other operations, the Group ensures all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment to ensure compliance with relevant ordinances in Hong Kong and China.

Table 2 — Non-Hazardous Waste Generated during the Reporting Period

	Unit	FY2018–2019
Non-hazardous Waste	kg	130,291

The Group strives to maintain a high standard of requirement of waste reduction, actively encouraging our employees to appreciate the significance of sustainable development through continuous development in skills and knowledge.

3.4. Use of Resources

The Group considers the conservation of natural resources as an indispensable component of our sustainable business. Through actively promoting various environmentally friendly measures, we encourage an efficient use of resources, including energy, paper, water and other raw materials. As such, the Group has initiated policies to raise the awareness of electricity conservation and taken energy saving measures throughout our daily operation as elaborated in the section of Exhaust and GHG Emissions.

3.4.1. Water Consumption

With respect to water conservation, we encourage all employees and customers to develop the habit of conserving water consciously. Pantry and washrooms are posted with environmental messages to remind employee the importance and urgency of water conservation. Apart from education, the utility facilities are maintained regularly for service. Water supply and discharge at the construction sites are managed by the building manager. As a result, data of water consumption is not available for disclosure in this Report.

3.4.2. Packaging Material

Due to our business nature, the Group does not have manufacturing facilities and does not consume a significant amount of packaging materials.

3.4.3. Environmental Performance

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Energy and Resources Use" during the Reporting Period are tabulated below.

Table 3 — Energy and Resources Use

	Unit	FY2018–2019	Intensity
Electricity	kWh	111,819	194.13
Purchased Gas	kg	n/a	n/a
Unleaded Petrol	L	9,295	16.14
Diesel	L	955	1.66
Fuel Oil	MT	n/a	n/a
Paper	kg	736	1.28
Water	m^3	237	0.41

The Group is committed to instilling the consciousness of resources conservation and environmental protection into the work and life of every employee. We seek business partners who also share with our philosophy and commitment of environment conservation and compliance with the applicable environmental laws and regulations. We believe that these initiatives are capable to reflect our commitment to offering the best quality of services while maintaining the least adverse environmental impact on our planet.

4. EMPLOYMENT AND LABOUR PRACTICES

4.1. Recruitment and Promotion

The Group fully understands that our business development is largely driven by the continued quality services delivered by our experienced and competent workforce in addition to the quality of the products we deliver. As such, it is of paramount importance for us to proactively manage our talent pipeline and career development for employees. The Group is determined to set itself in a good position to maintain a robust business performance and growth together with our employees.

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group has formulated the recruitment policy with respect to equal opportunities, diversity and anti-discrimination.

We encourage differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to our operations. We discourage all forms of discrimination on gender, age, family status, sexual orientation, disability, race and religion. Our employment policy encourages hiring of talented people with physical or mental disabilities. We are committed to supporting our employees to maintain a family-friendly work environment because we respect their roles and responsibilities in their families. We strive to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment. We bring in new recruits and equip them with necessary skill sets to develop a long-term rewarding career with us.

During the Reporting Period, we continue to strictly observe the applicable laws and regulations and follow our employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, by providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, so as to recruit and retain experienced employees.

4.2. Employment and Labour

As at 31 March 2019, the Group had 576 full-time employees. The Group decides the remunerations payable to its staff based on their duties, work experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees.

Hong Kong Region

In Hong Kong, the Group complies with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**EO**") and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**ECO**") by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

PRC Region

In the PRC, we have participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources.

4.3. Health and Safety

The Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries. In connection with our Occupational Safety and Health ("**OSH**") Policy Statement, the Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- Registered Safety Officer and Safety Supervisors regularly perform checks on the work environment and staff facilities at different construction sites and ensure safety precautions are in place;
- safety training is a major preventative measure for addressing health and safety risk. Training sessions, lectures and seminars at different levels are held for groups of employees according to their roles, responsibilities and educational level, to ensure awareness of job hazards and conformity to safety practices with respect to OSH;
- training courses and measures are reviewed and regularly reported to the management by the safety officer;
- newly joined staff must attend the vocational training and toolbox meeting for relevant occupational safety, health registration and emergency planning provisions;
- existing staff are provided with job-related training to strengthen their professional knowledge and skills in daily operations and safety matters;
- a list of relevant occupational and health safety hazards is maintained based on analysis of its services and works carried out, inspection reports and incident reports. Upon identification of a potential hazard, a risk assessment is carried out to designate certain potential hazards as significant. Particular attention is paid to significant hazards during its formulation and implementation of controls. The list of potential hazards is reviewed, and changes are updated on an annual basis;
- installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- prohibiting smoking and abuse of alcohol and drugs in the workplace;
- providing clean and tidy rest area such as corridors and pantry;
- providing adjustable chairs and monitors for eye protection;
- setting up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;

- conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency; and

- improving the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies.

During the Reporting Period, the Group obtained OHSAS 18001:2007 certification and complied with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment in respect of health, hygiene, ventilation, gas safety, building structure and means of escape. During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury. No material non-compliance with laws and regulations relevant to health and safety of employees were identified during the Reporting Period.

Additionally, the Group provides induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can. Summary of work-related fatalities and injuries are shown in the table below.

Table 4 — Health and Safety

	FY2018–2019
No. of Work-Related Fatalities	0
Rate of Work-Related Fatalities	0
No. of Injuries at Work	0
Lost Days due to Injury at Work	4,634

4.4. Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long-run. The Group listens and responds to our people, striving to create an environment of continuous learning, to facilitate development of careers and provision of knowledge and skills for better fulfilment of roles and responsibilities. Our training programmes are designed not only to meet our business vision and to provide skillset required for the operation, but also for the benefit of society as a whole wherever possible.

With respect to our transportation and logistics services in the PRC, the Group adheres to the principle of serving the veterans wholeheartedly, providing free training, employment, entrepreneurship and other all-round services for Chinese veterans. We focus on the dual channel of enterprise demand and professional development of veterans, providing the best career development, entrepreneurial services and talent supply services for veterans and employers.

Employees at all levels can satisfy their needs of training through multiple training courses, including induction training, technical skills training and pre-post training. We also provide the management with a series of courses related to soft skill development. The goal is to strengthen their leadership and management skills, which is expected to drive the team to grow. These training programs not only facilitate the career prospect of individual employee, but also boost the sustainable development of the Group. Ongoing professional trainings and seminars are continuously offered to all directors in order for them to develop and refresh their knowledge and skills as directors of a listed company.

Table 5 — Employee Training

	Unit	**FY2018–2019**
Average hours of training received per employee	hours	8
Average hours of training per employee by ranking		
Senior Staff	hours	8
Intermediate Staff	hours	9
Junior Staff	hours	8
The percentage of employees trained		
Senior Staff	%	36%
Intermediate Staff	%	100%
Junior Staff	%	68%

Moreover, the Group is strongly convinced that sense of belonging and morale of the employees are always the key drivers to the Group's healthy and prosperous growth. The Group delivers festive foods, such as mooncakes, to employees during certain traditional festivals (such as Lunar New Year and Mid-Autumn Festival) in recognition of their contributions and dedicated work to the Group. Regular and festival gatherings are organised during the Reporting Period to enhance the harmonious sprit of different levels of staff members throughout the Group.

The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

4.5. Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group constantly rejects to engage suppliers and contractors, that hire child labour or forced labour in their operations, to provide administrative supplies and services.

The Group strictly complies with the relevant laws and regulations, including the Labour Law, the Protection of Minors and the Prohibition of Using Child Labour of the PRC and the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong). During the Reporting Period, no material non-compliance with the laws and regulations related to the prevention of child labour or forced labour have been found by the Group.

5. OPERATING PRACTICES

The Group is determined to disseminate the pursuit of sustainability into our core business which is regarded as part of the responsibility of an accountable corporate citizen. A series of management systems and procedures has been developed in alignment with the Corporate Governance required by the HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in our pursuit of sustainable development.

5.1. Supply Chain Management

The Group understands that supply chain management has always been one of the key aspects of the Group's operation. Our supply chain management team not only considers economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety, and mitigating environmental impacts.

With respect to our concrete services in Hong Kong, the Group has developed policy and procedures for selecting and monitoring subcontractors, suppliers and service providers, based on their performance in relation to their environmental compliance, sustainability, track records, quality of product or services delivered, prevailing market prices, delivery times, financial stability and reputation. Since the Group is certified as meeting ISO 9001:2008 quality management system standards, detailed regulations must be incorporated into the quality manual, procedures manual and quality plan. We ensure that materials and services are sourced from our approved list.

The Group believes the value in ethics, honesty and integrity, operating in compliance with applicable laws and regulations. We encourage our business partners to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business. We collaborate closely with our suppliers through an improved market management and centralized procurement system. Advanced technology is also widely utilized in all operations to monitor all purchases and sales transactions. All our processes for procurement, price control, resource management are carefully monitored and documented. In order to guarantee the safety of our services, every single purchase is registered with the authority before being put to use.

In addition to purchasing products and services according to the specified standards, we have developed a vendor and supplier selection mechanism in which we require our potential contractors or suppliers to comply with all the applicable laws and regulations and confirm their compliance with safety, environment, and social aspects. Inspection and assessments may be conducted by the Group if deemed necessary. To maintain a good corporate control and governance, the Group has developed a series of management system as and procedures in alignment with the Corporate Governance required by the HKEX. We are obliged to terminate the cooperation contract with suppliers that may cause or have caused serious pollution or serious social accidents.

We believe that, through the above review process, we can minimize the potential environmental and social risks associated with the supply chain management. During the Reporting Period, the Group engaged 182 suppliers in total which are located in Hong Kong and the PRC as our operations.

5.2. Product Responsibility

To be a successful business, we maintain continuous communication with our customers to ensure that we understand and fulfil their needs and expectations, so that we can improve the quality of our services in the long run. The Group is committed to the highest standards of service we deliver.

Hong Kong Region

In Hong Kong, our Group complies with relevant laws and regulations, for instances, the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong). The Group also carries out continuous and regular assessment of the product quality and review of opportunities for improvements and changes. The Group has obtained ISO 9001:2008 Quality Management Systems certification which is an internationally recognized qualification relating to product quality and quality management systems. There are quality principles relating to customer focus, leadership, engagement of people, process approach, improvement, evidence-based decision-making and relationship management.

PRC Region

In the PRC, our operation complies with relevant laws and regulations in relation to advertising, labelling and consumer protection, such as "Consumer Protection Law of the People's Republic of China", the "Advertising Law of the People's Republic of China", and "PRC Product Quality Law", by ensuring that there are no false and misleading messages in our advertisements and promotion activities.

During the Reporting Period, the Group has not identified any noncompliance with the relevant laws and regulations in respect of product liability.

Feedback Management

Regular communication channels and feedback systems are in place to gather information on satisfaction and suggestions for improvement from our diverse portfolio of customers. The Group has set up various complaints and feedback channels, such as telephone hotline, emails and websites, to collect suggestions and advice from customers. Suggestions or comments received are thoroughly reviewed by relevant operational units to further enhance our services. There were no complaints received against our services due to health and safety issues during the Reporting Period.

5.3. Privacy Protection

The Group is committed to compliance with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), to ensure that all data are securely kept in our internal system with access control. The Group also set out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is free of unauthorized or accidental access, processing, erasure or other use.

5.4. Anti-Corruption

The Group makes every effort to uphold a high standard of business ethics and prohibition of any forms of bribery and corrupt practices. To prevent misconduct and corruption as part of the exercise of Corporate Governance, the Group has a Group-wide Code of Conduct in place. The Code of Conduct elaborates in detail on the prevention of bribery, fraud, corruption, conflicts of interest and gambling. We also require our employees to declare any conflict of interest, to avoid any possible such conflict with sub-contractors or suppliers, and we arrange seminars for our employees presented by the Independent Commission Against Corruption. As at 31 March 2019, the Group was in compliance with the relevant rules and regulations preventing bribery, extortion, fraud and money laundering. We were not aware any breach of laws and regulations within the Group.

The Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the "Prevention of Bribery Ordinance of Hong Kong" (Chapter 201 of the laws of Hong Kong), the Criminal Law of the PRC (《中華人民共和國刑法》), and the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》). During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded.

In addition to the anti-bribery and anti-corruption policies, the Group also encourages employees and all business-related parties, including customers and suppliers, to proactively report any suspected misconduct issues to the Group. Employees are encouraged to report any concern in relation to accounting controls and audit matters to the Audit Committee which will review each complaint and decide how the investigation should be conducted.

During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have an impact on the Group, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded. During the Reporting Period, the Audit Committee identified no complaint from employees.

6. COMMUNITY INVESTMENT

The Group actively strives to making a better society through our active involvement in the community, putting the best effort and resources in helping the local communities and people in needs through multiple channels including community services, social support and sponsorship programs.

6.1 Community Services

During the Reporting Period, we actively participated in social welfare activities, and cooperated with non-government organizations, and conveys the concept of military and civilian family members and contributes to the people in need.

6.2 Sponsorship Programs

During the Reporting Period, the Group sponsored in total RMB$300,000, to "China Women's Development Foundation" for its "微笑行動專項基金" and sponsored in total RMB$360,000 to "Guangdong Youth Development Foundation" for its "田埂花開專項基金". To fulfil our social responsibility, the Group continues to seek opportunities to serve the community, in ever wider areas of social concern.

Going forward, the Group will continue to attach great importance to community services, and will encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

DIRECTORS' REPORT

The Board is pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the "**Financial Statements**").

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands with limited liability on 31 May 2016. The Company is domiciled in Hong Kong and has a principal place of business at Room 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 15 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

A review of the business review and outlook of the Group during the year are set out in the section headed "Management Discussion and Analysis" on pages 4 to 8 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 on page 58 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Friday, 30 August 2019, the register of members of the Company will be closed from Wednesday, 28 August 2019 to Friday, 30 August 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 August 2019.

KEY RISKS AND UNCERTAINTIES

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

The Group has concentrated customer base and any decrease in the number of projects with the Group's five largest customers would adversely affect the Group's operations and financial results

A significant portion of the Group's revenue was derived from a small number of customers during the financial year ended 31 March 2019. The Group's five largest customers' revenue contribution for the year was approximately 80.1% (2018: 83.1%) of our revenue while the Group's largest customer accounted for approximately 34.3% (2018: 33.8%) of its revenue. The Group did not enter into any long-term service agreement or master service agreement with its customers. Furthermore, the Group's service contracts for all concrete placing works are awarded through tendering and entered into on a project-by-project basis. Due to its non-recurring nature, there is no assurance that the Group will be able to retain its customers upon expiry of the contract period or that they will maintain their current level of business with the Group in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by the Group's five largest customers to the Group for whatever reasons, and if the Group is unable to obtain suitable projects of a comparable size and quantity as replacement, the Group's financial conditions and operating results will be materially and adversely affected. Besides, if any of the Group's five largest customers experiences any liquidity problem, it may result in delay or default in settling progress payments to the Group, which in turn will have an adverse impact on our cash-flows and financial conditions. The Group cannot guarantee that it will be able to diversify our customer base by obtaining significant number of new projects from its existing and potential customers.

Error or inaccurate estimation of project duration and the costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss incurred by the Group

The Group's concrete placing and ancillary service projects are awarded through a competitive tendering process. The Group determines a tender price by estimating its operating costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by the Group contain no mistake and error. Such mistakes and errors may be in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. Further, the Group's operating costs may increase due to inflation of raw materials and labour costs. In case of contracts awarded to the Group with mistakes or errors in the submitted tender or if there is a substantial increase in raw material and labour costs, the Group's profitability in a project might be adversely affected or the Group may be bound by the contract to undertake the project at a substantial loss.

Inaccurate estimation on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when the Group actually executes the awarded project. Many factors affect the time taken and the costs actually involved in completing concrete placing projects undertaken by the Group. Examples of such factors include shortage and cost escalation of labour and materials, adverse weather conditions, variations to the construction plans instructed by customers, stringent technical construction requirements, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents, and changes in the Government's policies. Other unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises and remains unresolved, completion of construction works may be delayed or we may be subject to cost overruns or the Group's customers may even be entitled to unilaterally terminate the contract.

The Group depends on key management and experienced personnel generally, any failure to attract, motivate and retain staff could hinder its ability to maintain and grow business. The future success is significantly dependent upon the continued service of key employees, particularly in new business areas expanding into, such as finance leasing.

If the Group loses the services of any member of management or key personnel, the Group may not be able to locate suitable or qualified replacements and may incur additional expenses to recruit and train new staff. As the business develops, it may become difficult for the Group to continue to retain our employees. Employees including management of the Group, may choose to pursue other opportunities outside of the Group. If the Group unables to motivate or retain these employees, business and prospects of the Group could suffer. The size and scope of the business also requires to hire and retain a wide range of capable and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. The Group will need to continue to attract and retain experienced and capable personnel at all levels, including members of management, as the Group's business and operations are expanding. Various incentive initiatives may not be sufficient to retain management and employees, competition for these individuals could cause the Group to offer higher compensation and other benefits to attract and retain them. Even if the Group were to offer higher compensation and other benefits, there can be no assurance that these individuals will choose to join or continue to work for us, failure to attract or retain key management and personnel could disrupt the business and growth.

Logistics related services are labour intensive, any shortages in staff, or increase in staff costs may materially and adversely affect the Group's business, results of operations, financial positions and prospects

As a logistics related services provider in the PRC, the Group's business is service-oriented and labour intensive, and its success depends in part upon its ability to attract, retain and motivate suitable employees in terms of quality and quantity, in particular for those positions that require heavy physical work. Individuals who have the appropriate work experience or who are adequately trained are in demand. If the Group is unable to recruit and/or retain qualified individuals, its business growth may slow down and results of operations of the Group may be materially and adversely affected. Competition for experienced staff may require the Group to pay higher wages, resulting in increasing staff costs. The Group may not be able to pass these increased costs onto its customers, in which case costs of operation of the Group may increase and that its business, results of operations, financial positions and prospects may be materially and adversely affected.

The business operations and financial position may be materially and adversely affected by any economic slowdown in China as well as globally, and the changes in the laws and regulations in the PRC.

A substantial portion of the operating assets of the Group are in the PRC, the Group expects that a material portion of the turnover will be derived from the operations in the PRC. The operation results and financial position are subject to a significant degree to the economic, political and legal developments of the PRC, including the extent of economic growth rate in China as well as globally, and future legislative and regulatory proposals concerning new energy vehicles and foreign exchange policies in China. The Group cannot predict whether changes in the PRC on laws, regulations and policies will have any material adverse effect on the current and further business or financial condition of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the year are set out in Note 15 to the consolidated financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

The Company's total issued share capital as at 31 March 2019 was 917,760,000 ordinary shares of HK$0.01 per share.

Details of movements during the year in the share capital of the Company are set out in Note 33 to the consolidated financial statements.

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 62 of this annual report.

As at 31 March 2019, the Company has reserves amounted to approximately HK$720.9 million available for distribution (2018: HK$222.9 million).

DIRECTORS

The Directors who held office during the year and up to the date of this annual report are:

Executive Directors

Mr. Zhang Jinbing *(Chairman and Chief Executive Officer)*
Mr. Ni Biao

Independent non-executive Directors

Mr. Tam Ping Kuen Daniel (appointed on 3 September 2018)
Dr. Zhu Zhengfu
Dr. Li Yifei
Mr. Tse Chi Wai (retired on 31 August 2018)

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for a term of two years commencing from their respective dates of appointment, unless terminated by not less than one month's notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into an appointment contract with the Company for a term of two years commencing from their respective dates of appointment.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

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

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code, notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Zhang Jinbing	interests in controlled corporation *(Note 1)*	573,600,000 *(Note 2)*	62.5% *(Note 2)*

Notes:

1) These 573,600,000 Shares are held by Prestige Rich Holdings Limited ("**Prestige Rich**"). Mr. Zhang Jinbing beneficially owns the entire issued share capital of Prestige Rich, which in turn beneficially owns 62.5% of the shareholding in the Company. Mr. Zhang Jinbing is the Chairman, an executive Director, chief executive officer of the Company and the chairman of the Nomination Committee. Mr. Zhang Jinbing is also a director of Prestige Rich.

2) On 15 April 2019, the Company and Prestige Rich entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and Prestige Rich has conditionally agreed to subscribe for, the subscription shares, being 60,000,000 new shares (the "**Subscription Shares**") of the Company, at the subscription price of HK$3.5 per Subscription Share. The Subscription Agreement and the transactions contemplated therein and the specific mandate for the issue and allotment of the Subscription Shares had been approved by a majority of the independent shareholders (that is, shareholders of the Company apart from Prestige Rich and its associates including Mr. Zhang Jinbing) present and voted at the extraordinary general meeting of the Company (the "**EGM**") held on 18 June 2019. Upon completion of the transactions contemplated under the Subscription Agreement, Prestige Rich will hold a total of 633,600,000 Shares, representing 64.8% of the issued Shares immediately after the issue and allotment of the Subscription Shares.

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

As at 31 March 2019, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of 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	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Prestige Rich	Beneficial owner	573,600,000 *(Note)*	62.5% *(Note)*

Note:

On 15 April 2019, the Company and Prestige Rich entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Prestige Rich has conditionally agreed to subscribe for, the Subscription Shares at the subscription price of HK$3.5 per Subscription Share. The Subscription Agreement and the transactions contemplated therein and the specific mandate for the issue and allotment of the Subscription Shares had been approved by a majority of the independent shareholders (that is, shareholders of the Company apart from Prestige Rich and its associates including Mr. Zhang Jinbing) present and voted at the EGM held on 18 June 2019. Upon completion of the transactions contemplated under the Subscription Agreement, Prestige Rich will hold a total of 633,600,000 Shares, representing 64.8% of the issued Shares immediately after the issue and allotment of the Subscription Shares.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed under the sections headed "Share Option Scheme" and "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or and any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

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

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

Save as disclosed under the "Related Party Transactions" in Note 38 to the consolidated financial statements, there were no transaction, arrangement or contract of significance, to which the Company any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 31 March 2019 or any time during the Year, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

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

The Company has maintained appropriate directors' and officers' liability insurance and such permitted indemnity provision for the benefit of the Directors currently in force.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 18.11% and 58.9% (2018: 18.9% and 51.4%) respectively of the Group's total purchases for the Year. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 34.3% and 80.1% (2018: 33.8% and 83.1%) respectively of the Group's total revenue for the Year.

To the best of the Directors' knowledge, none of the Directors or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) and their respective close associates had any material beneficial interest in the Group's five largest customers and suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group recognises employees as its valuable assets. The Group provides competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve the Group. The Group has also adopted an annual review system to assess the performance of its staff, which forms the basis of the Group's decisions with respect to salary raises and promotions.

Customers

A majority of the Group's five largest customers have long-standing business relationship with the Group for a period ranging from approximately one to 15 years and the Group will therefore endeavor to accommodate their demands for the Group's services to the extent its resources allow in order to capture more opportunities for larger scale projects in the future. The Group's experience as a quality subcontractor in handling foundation works and construction wastes handling projects also give business advantage to the Group's customers to ensure projects are executed in accordance with their quality standard. As to the logistics services provided by the Group in the PRC, the Group also sets up and adheres to key performance indices for services provided to its customers.

Suppliers and subcontractors

The Group encompasses working relationships with suppliers and subcontractors to meet the Group's customers' needs in an effective and efficient manner. The Group has set up an approved list of suppliers and it selects the suppliers from the list based on the quality of materials, timeliness of delivery, previous experience and length of partnership with the supplier, competitiveness of the price offered and reputation of the supplier.

Subject to the Group's capacity, resources level, types of work, cost effectiveness and complexity of the projects/tasks, the Group may subcontract certain works to other subcontractors. The Group maintains an internal list of approved subcontractors and carefully evaluate the performance of its subcontractors and selects them based on the experience, quality of works, timeliness of completion for past projects/tasks, reputation in the industry, past performances, cost and the Group's relationship with them.

SUFFICIENCY OF PUBLIC FLOAT

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

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, within the Group's business at any time during the Year and up to the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed below, there was no material acquisitions or disposals of subsidiaries, associated companies or joint ventures by the Group during the Year.

On 12 June 2018, the Group entered into a sale and purchase agreement to acquire 90% of the shareholding of Zhong Jun and its subsidiaries at a consideration of HK$458,880,000 which was satisfied by the issue and allotment of 152,960,000 shares at an issue price of HK$3. The acquisition was completed on 22 October 2018.

On 27 November 2018, The Group announced the formation of a joint venture, through Zhong Jun, to contribute RMB27,000,000 (equivalent to approximately HK$30,510,000) the registered capital of Ping Chuang. As at the date of this report, Zhong Jun invested RMB10,000,000 into Ping Chuang.

On 14 January 2019, the Group entered into the sale and purchase agreements for the acquisition 90% of the equity interest in Hua Yao Finance Leasing, a finance leasing company in the PRC, at a total consideration of HK$0.45 million which had been satisfied by cash. Completion of those acquisitions took place on 23 April 2019. Upon completion of the acquisitions, the Group shall contribute to 90% of the registered capital of Hua Yao Finance Leasing in the sum of USD27,000,000 (equivalent to approximately HK$210,600,000).

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 27 September 2016, the Company adopted a share option scheme (the "**Share Option Scheme**") with effect from 27 September 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company, to attract and retain high quality staff, to provide additional incentive to employees (full time or part time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Shareholders.

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

The Share Option Scheme will remain in force for a period of ten years commencing on the date of the adoption date (i.e. 27 September 2016) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless otherwise terminated earlier by the Shareholders in general meeting.

No share options had been granted under the Share Option Scheme since the adoption of the Scheme. During the period between the Listing Date and the date of this annual report, no share option has been granted, exercised, cancelled or lapsed. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 76,480,000, representing 10% of the then entire issued share capital of the Company at the date of its adoption on 27 September 2016. Details of the Share Option Scheme are set out in Note 34 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

BORROWINGS

Details of bank borrowings of the Group as at 31 March 2019 are set out in Note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 10 to the consolidated financial statements.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the year.

Senior management's remuneration of the Group during the year falls within the following bands:

	No. of individuals
HK$1,000,001 to HK$2,000,000	3
HK$2,000,001 to HK$3,000,000	2

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the Year are set out in Note 11 to the consolidated financial statements.

EMOLUMENT POLICY

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 12 to 25 of this annual report.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the Year (2018: Nil).

AUDIT COMMITTEE

The Audit Committee had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statement for the Year.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 March 2019 has been audited by KTC Partners CPA Limited. KTC Partners CPA Limited will retire as auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KTC Partners CPA Limited as auditor of the Group will be proposed at the AGM.

ENVIRONMENTAL POLICIES

The Group is committed to support environmental sustainability and to maintain sustainable working practices. The Group strives to become an environmental-friendly corporation by adopts multiple initiatives to achieve a greener transportation and logistics operation in the PRC. The Group also endeavours to reduce emissions of air pollutants and noxious odours from our concrete placing operation to complies with the environmental protection laws of Hong Kong covering greenhouse gas and water emissions, solid waste management and noise pollution.

In order to comply with the applicable environmental protection laws, the Group has implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015 since 4 June 2016. Apart from following the environmental protection policies formulated and required by our customers, the Group has also established its environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both its employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

On behalf of the Board
Chong Kin Group Holdings Limited

ZHANG Jinbing
Chairman and Executive Director
Hong Kong, 25 June 2019

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

TO THE MEMBERS OF
CHONG KIN GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chong Kin Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 58 to 131, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Revenue recognition contributed from construction works

For the year ended 31 March 2019, the Group recognised revenue from construction works of approximately HK$314,173,000. Most construction works take several years to complete and the scope of work may change during that time. Management estimate the revenue and budgeted costs at the commencement of the contracts and regularly assess the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue, budgeted costs as well as the progress of related construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. For this reason, we identified revenue recognition from construction works as a key audit matter.

How our audit addressed the key audit matter

Our procedures in relation to construction contract revenue mainly included:

- Discussing with management and the respective project teams about the progress of the projects and relevant contract terms;
- Assessing management's estimates of the impact to revenue and budgeted costs arising from scope changes made to the original contracts, claims, disputes and liquidation damages with reference to supporting documents including variation orders and correspondence among the Group, customers, subcontractors and suppliers;
- Testing on the actual costs incurred on construction work;
- Recalculating the revised estimate of the progress of the construction works based on the latest budgeted final costs and the total actual costs incurred;
- Recalculating the revenue recognised based on the revised estimate of the progress of the construction works; and
- In respect of material contract assets, inspecting relevant contracts and correspondence with the customers, and assessing their creditworthiness with reference to publicly available information, where applicable.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Provision for expected credit losses ("ECL") of trade receivables and contract assets

As at 31 March 2019, the Group had gross trade receivables and contract assets of approximately HK$61,236,000 and HK$147,583,000 respectively as set out in Note 24 and Note 25 respectively to the consolidated financial statements.

ECL for trade receivables and contract assets are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment.

We have identified ECL assessment of trade receivables and contract assets as a key audit matter because assessing ECL of trade receivables and contract assets is a subjective area as it requires the management's judgment and uses of estimates.

How our audit addressed the key audit matter

Our procedures in relation to management's ECL assessment on trade receivables and contract assets included:

- Reviewing and assessing the application of the Group's policy for calculating the ECL;
- Evaluating techniques and methodology adopted by the management in the ECL model against the requirements of HKFRS 9;
- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;
- Inquiring management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers;
- Evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL; and
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2019 to the underlying financial records and post year-end settlement to bank receipts.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Provision for expected credit losses ("ECL") of loan and interest receivables

We identified the recoverability of loan and interest receivables as a key audit matter due to the use of judgement and estimates by the management in assessing the recoverability of loan and interest receivables.

As set out in Note 23 to the consolidated financial statements as at 31 March 2019, the Group's loan and interest receivables amounting to approximately HK$55,452,000 were past due because joint and several receivers have been appointed over a substantial assets beneficially owned by the borrower, which indicate an evidence for significant increase in credit risk after initial recognition. As such, ECL for loan and interest receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience.

As disclosed in Note 23 to the consolidated financial statements, based on the current assessment by management, the Company has not provided any impairment losses in respect of those receivables.

How our audit addressed the key audit matter

Our key procedures in relation to the directors' impairment assessment mainly included:

- Reviewing and assessing the application of the Group's policy for calculating the ECL;
- Evaluating techniques and methodology adopted by the management in the ECL model against the requirements of HKFRS 9;
- Testing of controls designed and applied in the process of approving and granting of loans and subsequent monitoring of repayment status;
- Reviewing subsequent settlements of loan and interest receivables and corroborating enquiring with the management about the reasons for not considering a provision against unsettled past-due balances;
- Assessing the value of collaterals held for the respective loans with publicly available market price; and
- Reviewing the repayment history to assess the credit-worthiness of the Group's borrowers.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Business combination through acquisition of subsidiaries	
Refer to Note 35 to the consolidated financial statements. The Group completed the acquisition of Stand East Investment Limited ("**Stand East**") and its subsidiaries during the year. The acquisition constituted a business combination. The initial accounting for the acquisition requires the Group to identify the assets acquired and liabilities assumed and measure their amounts. Further, the consideration shares issued by the Company as consideration for the acquisition is measured at the fair value of the shares at the acquisition date. An independent professional valuer (the "**Valuer**") was appointed by the Group to provide assistance in measuring the fair values of identifiable assets and liabilities and consideration shares. We considered this matter to be a key audit matter because of the significant impact of the acquisition on the consolidated financial statements, and the inherent judgement required to be exercised and high estimation uncertainty involved in estimating the fair values of the assets acquired and liabilities assumed and consideration shares.	Our audit procedures, among others, included: • Evaluating management's assessment of the terms of the acquisition agreement; • Understanding the valuation processes and methodology, significant assumptions adopted and key inputs used in the valuation of the identifiable assets acquired and liabilities assumed in the acquisition and of the share consideration; • Engaging an independent external expert to assist us in assessing the Valuer's work; • Challenging the reasonableness of key assumptions based on our knowledge and understanding of the businesses of the subsidiaries acquired and the markets in which they operate; • Assessing the appropriateness of the methodology and the reasonableness of significant assumptions used by management in determining the fair values of assets acquired and liabilities assumed and consideration shares including any fair value adjustments as at date of acquisition; • Evaluating the competence, capabilities and objectivity of the Valuer; • Examining the accounting entries for the business combination prepared by management and determine whether they were in accordance with HKFRS 3 (Revised) "Business Combination"; and • Assessing the adequacy of the disclosures about the business combination in accordance with HKFRS 3 (Revised).

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill	
Refer to critical accounting judgements and key sources of estimation uncertainty in Note 4 and Note 18 to the consolidated financial statements. As at 31 March 2019, the Group's reported goodwill amounted to approximately HK$406,699,000, net of accumulated impairment losses of approximately HK$118,463,000. Impairment of goodwill is assessed by management by comparing the recoverable amount and carrying amount of the relevant cash generating units at the end of the reporting period. Significant judgement and assumptions were required by management of the Group in assessing the recoverable amounts of those cash generating units. The recoverable amounts are determined with reference to the value in use of the relevant cash generating units, which required significant assumptions on discount rates and growth rates in order to derive the net present value of the discounted future cash flow analysis. Valuations prepared by independent professional valuer ("**the Valuer**") were obtained in respect of the fair value of the cash generating units in order to support management's estimates. We identified this area as a key audit matter as the carrying value of goodwill is significant to the consolidated financial statements and the management's impairment assessment of goodwill require the use of significant judgement and estimation.	Our audit procedures, among others, included: • Assessing the identification of the related cash generating units; • Assessing the arithmetical accuracy of value-in-use calculations; • Obtaining the discounted future cash flow analysis approved by the management and checking its mathematical accuracy; • Engaging an independent external expert to assist us in assessing the Valuer's work; • Evaluating the competence, capabilities and objectivity of the Valuer; • Evaluating the appropriateness of the methodology and the reasonableness of the key assumptions adopted by the management, including discount rates and growth rates; • Testing the accuracy and evaluating the relevance of key inputs adopted in the discounted future cash flow model against historical performance of the Group, with reference to the future strategic plans of the Group in respect of the cash generating units.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of contingent consideration receivables for business acquisitions	
Refer to Note 19 to the consolidated financial statements. The Group has recognised contingent consideration receivables at their estimated fair values of approximately HK$35,463,000 as at 31 March 2019 and HK$1,223,000 as at 22 October 2018, the date of acquisition. A gain on fair value change of these receivables, amounting to approximately HK$34,240,000, was recognised in the consolidated profit or loss account for the year ended 31 March 2019. These receivables arose from profit guarantee arrangement included in the terms of the acquisition of Stand East. The fair value measurements of these receivables as at the date of acquisition and 31 March 2019 required exercise of significant judgments for the assumptions to be adopted and inputs to be used, including those concerning future post-acquisition performances of the acquired businesses and discount rates used. Contingent consideration receivables are remeasured at fair value at each reporting date, and such remeasurements may be affected by changes in the estimation of post-acquisition performance of the acquired businesses. Any resulting gain or loss is recognised in the consolidated profit and loss account. We focused on this area in our audit as the assessments made by management involved significant judgments and high level of estimated uncertainty, including those in relation to the post-acquisition performances of individual businesses and discount rates applied, which may be affected by unexpected changes in future market or economic conditions or significant events or circumstances related to the acquired businesses.	Our audit procedures, among others, included: • Understanding and evaluating management's key controls over the contingent consideration receivables fair value measurement assessment process; • Checking the contingent consideration receivables calculation prepared by management against the formula stated in the sales and purchase agreement for the acquired businesses; • Evaluating performance forecasts used in the contingent consideration receivables calculation and tested the mathematical accuracy of the underlying calculation and agreed them to the financial projection prepared by management for the specific financial period stipulated by the sales and purchase agreement. We also analysed the key assumptions adopted by management with reference to their business plan and historical actual results to assess the quality of management's financial projection; • Comparing the discount rates used by management against market information and internal data; • For the fair value measurement as at 31 March 2019, assessing the events and circumstances emerging since the last assessment as at the date of acquisition. We held discussions with management, compared the latest performance forecasts to the revised future business plan and obtained evidence of those events or circumstances to support the fair value measurement.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah Joseph
Audit Engagement Director
Practising Certificate Number: P04686

Hong Kong, 25 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	*7*	**420,867**	428,694
Cost of sales		**(381,129)**	(353,527)
Gross profit		**39,738**	75,167
Other income	*8*	**5,001**	11,943
Fair value gain on contingent consideration receivables	*19*	**34,240**	—
Impairment loss on goodwill	*18*	**(116,674)**	—
Selling and distribution expenses		**(1,781)**	—
Administrative and other operating expenses		**(56,015)**	(45,391)
Operating (loss)/profit		**(95,491)**	41,719
Finance costs	*12*	**(10,706)**	(1,795)
(Loss)/profit before income tax	*9*	**(106,197)**	39,924
Income tax expense	*13*	**(998)**	(7,898)
(Loss)/profit for the year		**(107,195)**	32,026
Attributable to:			
Equity shareholders of the Company		**(106,092)**	32,026
Non-controlling interests		**(1,103)**	—
		(107,195)	32,026
(Loss)/Earnings per share			
Basic and diluted (loss)/earnings per share	*14*	**HK cents (12.75)**	HK cents 4.19

Details of dividends are disclosed in Note 16 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
(Loss)/profit for the year		**(107,195)**	32,026
Other comprehensive (expense)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**23,632**	—
Total comprehensive (expense)/income for the year		**(83,563)**	32,026
Total comprehensive (expense)/income attributable to:			
Equity shareholders of the Company		**(83,300)**	32,026
Non-controlling interests		**(263)**	—
		(83,563)	32,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	123,026	34,238
Goodwill	18	406,699	—
Finance lease receivables	20	14,248	—
Other deposits	21	3,730	3,650
		547,703	37,888
CURRENT ASSETS			
Inventories	22	341,776	—
Finance lease receivables	20	9,080	—
Loan and interest receivables	23	55,452	213,479
Trade and other receivables	24	273,808	69,693
Amount due from a non-controlling shareholder of a subsidiary	30	24,932	—
Contract assets	25	147,583	—
Gross amounts due from customers for contract work	26	—	125,329
Contingent consideration receivables	19	35,463	—
Current income tax recoverable		8,880	2,145
Cash and bank balances	27	45,454	21,828
		942,428	432,474
CURRENT LIABILITIES			
Trade and other payables	28	276,383	40,193
Amount due to a former director	29	30,000	30,000
Amount due to a shareholder	30	3,150	—
Amount due to a director	30	22,071	—
Amount due to a related party	30	1,150	—
Gross amounts due to customers for contract work	26	—	37,778
Contract liabilities	25	1,561	—
Borrowings	31	381,424	797
Current income tax liabilities		2,176	—
		717,915	108,768
NET CURRENT ASSETS		224,513	323,706

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	*31*	**15,784**	126,387
Deferred tax liabilities	*32*	**2,897**	4,622
		18,681	131,009
NET ASSETS		**753,535**	230,585
Capital and reserves			
Share capital	*33*	**9,178**	7,648
Reserves		**720,885**	222,937
Equity attributable to equity shareholders of the Company		**730,063**	230,585
Non-controlling interests		**23,472**	—
TOTAL EQUITY		**753,535**	230,585

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 June 2019 and signed on its behalf by:

Mr. Zhang Jinbing
Director

Mr. Ni Biao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Translation reserve** HK$'000	**Merger reserve** HK$'000 *Note*	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 31 March 2017 and 1 April 2017	7,648	61,649	–	10	129,252	198,559	–	198,559
Profit and total comprehensive income for the year	–	–	–	–	32,026	32,026	–	32,026
At 31 March 2018 and 1 April 2018	7,648	61,649	–	10	161,278	230,585	–	230,585
Loss for the year	–	–	–	–	(106,092)	(106,092)	(1,103)	(107,195)
Other comprehensive income for the year	–	–	22,792	–	–	22,792	840	23,632
Total comprehensive income/(expense) for the year	–	–	22,792	–	(106,092)	(83,300)	(263)	(83,563)
Acquisition of subsidiaries *(Note 35)*	1,530	581,248	–	–	–	582,778	13,528	596,306
Capital contributions from non-controlling interest of a subsidiary	–	–	–	–	–	–	10,207	10,207
At 31 March 2019	**9,178**	**642,897**	**22,792**	**10**	**55,186**	**730,063**	**23,472**	**753,535**

Note:

The merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash used in operations	*36*	**(163,472)**	(201,527)
Tax credit/(paid)		**3,749**	(10,212)
Interest paid on bank overdrafts		**—**	(57)
Net cash used in operating activities		**(159,723)**	(211,796)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**18**	1,185
Purchases of property, plant and equipment		**(70,711)**	(6,000)
Acquisition of subsidiaries, net of cash acquired *(Note 35)*		**71,985**	—
Interest received		**25**	7
Net cash generated from (used in) investing activities		**1,317**	(4,808)
Cash flows from financing activities			
Advance from a former director		**—**	30,000
Repayment of finance leases		**(3,888)**	(11,135)
Proceeds from new bank borrowings		**234,832**	—
Repayment of bank borrowings		**—**	(10,822)
Interest paid on finance leases		**(932)**	(136)
Interest paid on bank borrowings		**(3,524)**	(215)
Loan advanced by former substantial shareholder		**—**	125,000
Advance from a shareholder		**3,150**	—
Advance to a director		**(47,929)**	—
Advance from a related party		**1,150**	—
Net cash generated from financing activities		**182,859**	132,692
Net increase/(decrease) in cash and cash equivalents		**24,453**	(83,912)
Cash and cash equivalents at beginning of year		**21,828**	105,740
Effect of foreign exchange rate changes, net		**(827)**	—
Cash and cash equivalents at end of year		**45,454**	21,828
Analysis of cash and cash equivalents			
represented by cash and bank balances	*27*	**45,454**	21,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 October 2016. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is Suite 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of concrete placing services and other ancillary services, sales of new energy vehicles, and provision of logistics related services and car leasing services in the PRC. Its parent and ultimate holding company is Prestige Rich Holdings Limited ("**Prestige Rich**") a company incorporated in the British Virgin Islands ("**BVI**"). Mr. Zhang Jinbing is the owner and sole director of Prestige Rich. As at 31 March 2019, the directors consider the ultimate controlling shareholder of the Company to be Mr. Zhang Jinbing.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 25 June 2019.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the years, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and interpretations issued by the HKICPA that are effective for the Group's financial year beginning 1 April 2018 throughout the year.

(a) Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation, which have been adopted at the same time as HKFRS 9.

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact of transition to HKFRS 9 on retained profits at 1 April 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVTOCI**") and at fair value through profit or loss ("**FVTPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group's trade and other receivables, loan and interest receivables and cash and bank balances are reclassified from loans and receivables to financial assets carried at amortised cost under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The measurement basis and carrying amounts for all financial assets and liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 April 2018.

(ii) Impairment of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade receivables and other receivables, loan and interest receivables and bank balances and cash).

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on debtors' ageing.

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

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary upon the initial adoption of the standard.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method. The cumulative effect of initial application, if any, is recognised as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

The new accounting policies and the impact of the adoption of HKFRS 15 is shown as follows:

Accounting for revenue from construction contracts

In prior reporting periods, the Group accounted for revenue from construction contracts when the outcome of construction contracts can be estimated reliably by reference to the stage of completion of the contract activities at the end of the reporting periods.

Under HKFRS 15, revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If i) the Group creates or enhances an asset that the customer controls as the asset is created or enhanced, or ii) if construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 15, Revenue from contracts with customers (continued)

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Presentation of contract assets and liabilities

Previously, contract balances relating to construction contracts in progress were presented in the consolidated statement of financial position under "amounts due from/(to) customers for contract work".

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work and retention receivables.
- Contract liabilities recognised in relation to construction contracts were previously presented as amounts due to customers for contract work.

The effects of the adoption of HKFRS 15 on the consolidated statement of financial position at 1 April 2018 are as follows:

	HKAS 11 Carrying amount 31 March 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	HKFRS 15 Carrying amount 1 April 2018 HK$'000
Retention receivables	58,200	(58,200)	–	–
Gross amount due from customers for contract work	125,329	(125,329)	–	–
Contract assets	–	145,751	637	146,388
Gross amount due to customers for contract work	37,778	(37,778)	–	–
Current income tax liabilities	–	–	105	105
Retained earnings	161,278	–	532	161,810

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1st January 2019.

2 Effective for annual periods beginning on or after 1st January 2021.

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

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases (continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$16,863,000 as lessor and HK$20,775,000 as lessee as disclosed in Note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all the leases of which it is a lessee.

In addition, the Group currently considers refundable rental deposits paid of HK$4,358,000 and refundable rental deposits received of HK$2,182,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4. Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for contingent consideration receivables, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

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

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

Business combinations

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment, if any.

Segment reporting

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "Other income and net gains".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

— Machinery and equipment	20%
— Leasehold improvements	Over lease term
— Furniture, fixtures and office equipment	20%
— Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments. The finance lease income is recognised in accordance with the policy set out in "Revenue recognition" below.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Revenue from contracts with customers (accounting policies applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, 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.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (accounting policies applied from 1 April 2018) (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Construction contracts — Concrete placing and other ancillary services income

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Sales of new energy vehicles

Revenue from the sales of new energy vehicles is recognised when the control of new energy vehicles have been transferred to the buyer, generally on delivery of the new energy vehicles.

Provision for logistics related services

Revenue from provision for logistics related services is recognised at the point in time when the services upon acceptance by the customers. The customers cannot simultaneously receive and consume the benefits provided by the Group's logistics related services as the Group performs, and cannot control any assets during services rendering. The Group also has no enforceable right to payment for the services performed to date. The Group therefore concluded that control of the performance obligation has been transferred to the customers (i.e. service performed) at a point in time when the customers have accepted its services.

Revenue from contracts with customers (accounting policies applied until 1 April 2018)

Construction contracts — Concrete placing and other ancillary services income

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (accounting policies applied until 1 April 2018) (continued)

Construction contracts — Concrete placing and other ancillary services income (continued)

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Revenue from other sources

Operating lease rental income

Rental income from lease of rental vehicles and machinery is recognised based on the straight-line basis over the lease terms.

Finance lease income

The Group records revenue attributable to finance leases over the lease term on a systematic and rational basis so as to produce a constant rate of return on the net investment in the finance lease.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (accounting policies applied from 1 April 2018)

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

(i) Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVTOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("**FVTPL**"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (accounting policies applied from 1 April 2018) (continued)

(ii) Effective interest method

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

(iii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVTOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. The Group has measured loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) 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 (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (accounting policies applied until 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investment, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

(ii) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets are held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend on the financial assets and is disclosed as "other gains and losses".

(iii) Held-to-maturity investment

Held-to-maturity investment is non-derivative financial asset with fixed or determinable payments and fixed maturity dates that is quoted in an active market and that the Group has the positive intention and ability to hold to maturity.

The Group classified certain listed bond security in Singapore as held-to-maturity investment. Subsequent to initial recognition, held-to-maturity investment is measured at amortised cost using the effective interest method, less any impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (accounting policies applied until 1 April 2018) (continued)

(iv) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables or (b) held-to-maturity investment or (c) financial assets at FVTPL. The Group classified certain listed equity securities in Hong Kong as AFS financial assets on initial recognition of those items.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

(v) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

(vi) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for the financial asset could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period ranging from 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (accounting policies applied until 1 April 2018) (continued)

(vi) Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

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

(i) Equity instruments

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

(ii) Effective interest method

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

Interest expense is recognised on an effective interest basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

(iii) Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a former director and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial assets and financial liabilities

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

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

Inventories

Inventories comprise new energy motor vehicles for sale. Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Share capital

Ordinary shares are classified as equity.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings

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

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

Current tax

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

Deferred tax

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

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

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

Current and deferred tax for the year

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

Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities and contingent assets

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

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close member of the family 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

(b) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 March 2019, the carrying amount of goodwill is HK$ 406,699,000 (2018: Nil) (net of accumulated impairment loss of HK$116,674,000 (2018: Nil). Details of the recoverable amount calculation are disclosed in Note 18.

(c) Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. 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 every 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 receivables are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Notes 6(b)(ii), 24 and 25.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Contingent consideration receivables

Where the fair value of contingent consideration receivables cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets, where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgments include considerations of inputs such as probability-adjusted profit/loss, marketability discount and minority discount. Changes in assumptions about these factors could affect the reported fair value of contingent consideration receivables.

(e) Fair value of identifiable assets and liabilities acquired through business combination

The Group applies acquisition method to account for business combinations, which requires the Group to record assets and liabilities assumed at their fair values on the date of acquisition. Significant judgements are made to estimate the fair values of the assets and liabilities acquired.

(f) Percentage of completion of construction works

The Group recognises revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Corresponding contract revenue was also estimated by management based on contract sum and works values from variation works. Because of the nature of the activities undertaken for the construction contracts, the date at which the contracts are entered into and the date when the contract are completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

When determining the total budgeted costs, management makes reference to information such as (i) current or recent offers from subcontractors and suppliers, (ii) variation orders received from customers, and (iii) estimation on material costs, labour costs and other costs for the completion of the projects provided by quantity survey department.

5 CAPITAL MANAGEMENT

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

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

The gearing ratio is calculated as net debt divided by the total equity.

The gearing ratios of the Group are as follows:

	2019 **HK$'000**	2018 HK$'000
Total borrowings *(Note 31)*	**397,208**	127,184
Total equity	**753,535**	230,585
Gearing ratio	**52.7%**	55.2%

6 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Financial instruments by category

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
Contingent consideration receivables	**35,463**	—
Financial assets at amortised costs under HKFRS 9 (2018: Loans and receivables under HKAS 39)		
Other deposits	**3,730**	3,650
Trade and other receivables	**168,815**	68,059
Finance lease receivables	**23,328**	—
Loan and interest receivables	**55,452**	213,479
Cash and bank balances	**45,454**	21,828
Total	**332,242**	307,016
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**276,383**	40,193
Amount due to a former director	**30,000**	30,000
Amount due to a shareholder	**3,150**	—
Amount due to a director	**22,071**	—
Amount due to a related party	**1,150**	—
Borrowings (excluding finance lease liabilities)	**371,071**	126,387
Finance lease liabilities	**26,137**	797
Total	**729,962**	197,377

6 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management objectives and policies

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

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

(i) Interest rate risk

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

The Group's interest rate risk arises from borrowings. Borrowings obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 March 2019, borrowings were denominated in Hong Kong dollars and Renminbi, interests are charged at fixed rates. The Group did not carry out any interest rate hedging policy.

6 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

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

(ii) Credit risk

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

The credit risk of bank balances and deposits and prepayments for life insurance policies are limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies and financial institution with good reputation respectively.

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

The Group had certain credit risk as there was one (2018: four) customer which individually contributed over 10% of the Group's trade and other receivables as at 31 March 2019. The aggregate amounts of trade and other receivables from these customers amounted to 71% (2018: 55%) of the Group's total trade and other receivables as at 31 March 2019. Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and credibility of these debtors on ongoing basis.

It is the Group's policy that all debtors who wish to obtain loans from the Group are subject to management review. Receivable balances are monitored on an ongoing basis. The Group holds collaterals to cover its risks associated with loan and interest receivables.

Collaterals are obtained in respect of loan and interest receivables. Such collaterals comprise shares of listed companies pledged against the balances. As at 31 March 2019, the fair value of collaterals for the loan and interest receivables which are shares of certain listed companies and other assets based on their prevailing market prices amounted to approximately HK$102,800,000 (2018: HK$224,000,000).

6 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

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

(ii) Credit risk (continued)

Maximum credit risk exposure which are subject to ECL assessment as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables*	—	—	—	61,236	61,236
Amount due from a non-controlling shareholder of a subsidiary					
— Normal**	24,932	—	—	—	24,932
— Doubtful**	—	—	—	—	—
Finance lease receivables*	—	—	—	23,328	23,328
Contract assets*	—	—	—	147,583	147,583
Other receivables and deposits					
— Normal**	107,579	—	—	—	107,579
— Doubtful**	—	—	—	—	—
Loan and interest receivables					
— Normal**	—	—	—	—	—
— Doubtful**	—	—	55,452***	—	55,452
Cash and bank balances					
— Banks with high credit ratings assigned by international credit-rating agencies	45,454	—	—	—	45,454

* For trade receivables, finance lease receivables and contract assets the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Expect for debtors with significant outstanding balances or credit impaired, the Group determines the ECL on these items by using a provision matrix, grouped by past due status. Details are disclosed in Notes 20, 24 and 25 to the consolidated financial statements.

** The credit quality of the financial assets included in deposits and other receivables, loan and interest receivables and amount due from a non-controlling shareholder of a subsidiary is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful". For the financial assets which are classified as "normal", the Group has assessed and concluded that the risk of default rate is steady based on the Group's assessment of the financial health of the counterparties, historical default experience and forward-looking information available at the end of the reporting period. Thus, the directors of the Company considered that the ECL of these financial instruments of the Group is insignificant as at 31 March 2019.

*** As detailed in Note 23, the Company has obtained court order for sale over other assets of the borrower and hence, no impairment allowance is necessary in respect of those loan and interest receivables.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

6 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

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

(iii) Liquidity risk (continued)

The following table details the remaining contractual maturities at the end of each reporting period of the Group's 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 each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Between one and two years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
At 31 March 2019				
Trade and other payables	276,383	–	276,383	276,383
Amount due to a former director	30,000	–	30,000	30,000
Amount due to a shareholder	3,150	–	3,150	3,150
Amount due to a director	22,071	–	22,071	22,071
Amount due to a related party	1,150	–	1,150	1,150
Finance lease liabilities	11,734	15,378	27,112	26,137
Borrowings (excluding finance lease liabilities)	382,184	–	382,184	371,071
	726,672	15,378	742,050	729,962
At 31 March 2018				
Trade and other payables	40,193	–	40,193	40,193
Amount due to a former director	30,000	–	30,000	30,000
Finance lease liabilities	809	–	809	797
Borrowings (excluding finance lease liabilities)	–	143,750	143,750	126,387
	71,002	143,750	214,752	197,377

(iv) Currency risk

The Group operates mainly in Hong Kong and Mainland China with most of its transactions settled in Hong Kong dollars and Renminbi ("**RMB**"). Certain of the Group's monetary assets and liabilities are denominated in RMB, which are the functional currencies of the Company and its subsidiaries.

The Group currently does not have a formal foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(c) Fair value measurements of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input(s) to fair value
	31.3.2019 HK$'000	31.3.2018 HK$'000				
Contingent consideration receivables	**Assets – HK$35,463**	N/A	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the Group arising from the contingent consideration, based on an appropriate discount rate	Discount rate 1.419%	*Note 1*
					Probability-adjusted profits, with a range from HK$6,611,000 to HK$182,053,000	*Note 2*

Note 1:

An increase in the discount rate used in isolation would result in an decrease in the fair value measurement of the contingent consideration receivables, and vice versa. A 5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the contingent consideration receivables by approximately HK$25,000.

Note 2:

An increase in the probability-adjusted revenues and profits used in isolation would result in an decrease in the fair value measurement of the contingent consideration receivables, and vice versa. A 5% increase/decrease in the probability-adjusted revenues and profits holding all other variables constant would decrease/increase the carrying amount of the contingent consideration receivables by approximately HK$1,620,000.

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

7 REVENUE AND SEGMENT INFORMATION

Revenue

(i) Analysis of revenue with the adoption of HKFRS 15 and HKAS 17

	2019 HK$'000	2018 HK$'000
Total revenue recognised during the year:		
Concrete placing services and other ancillary services	314,173	428,694
Sales of new energy vehicles	48,099	–
Provision for logistics related services	24,188	–
Car leasing revenue	4,992	–
Finance lease income	29,415	–
	420,867	428,694

	2019 HK$'000	2018 HK$'000 *(Note)*
Revenue from contracts with customers with the adoption of HKFRS 15		
Concrete placing services and other ancillary services	314,173	428,694
Sales of new energy vehicles	48,099	–
Provision for logistics related services	24,188	–
	386,460	428,694
Timing of revenue recognition		
At a point in time	72,287	–
Over time	314,173	428,694
	386,460	428,694

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18. Please refer to Note 2(a) for the effects of the adoption of HKFRS 15 on the consolidated statement of financial position at 1 April 2018.

	2019 HK$'000	2018 HK$'000
Revenue from other sources with the adoption of HKAS 17		
Car leasing revenue	4,992	–
Finance lease income	29,415	–
	34,407	–

7 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

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

	Concrete placing services and other ancillary services HK$'000
Within one year	73,291
More than one year but not more than two years	42,140
More than two years	37,417
	152,848

Sales of new energy vehicles and provision for logistics related services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

Information reported to the chief executive of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

For the year ended 31 March 2019, the Group's operating and reportable segments currently are: (i) Concrete placing services and other ancillary services and (ii) sales of new energy vehicles, provision of logistics related services and car leasing services. The CODM considers the Group has two operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

For the year ended 31 March 2018, the Board regards the Group's business as a single operating segment as the Group was engaged in the provision of concrete placing services and other ancillary services and reviews the consolidated financial statements for the Group as a whole accordingly. Also, the Group only engages its business in Hong Kong.

7 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

(i) Segment revenue and results

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

	Concrete placing services and other ancillary services HK$'000	Sales of new energy vehicles, logistics related services and car leasing HK$'000	Total HK$'000
For the year ended 31 March 2019			
Segment revenue	**314,173**	**106,694**	**420,867**
Segment loss	**(725)**	**(122,418)**	**(123,143)**
Unallocated income			**5,001**
Unallocated expenses			**(11,589)**
Fair value gain on contingent consideration receivables			**34,240**
Finance costs			**(10,706)**
Loss before taxation			**(106,197)**
For the year ended 31 March 2018			
Segment revenue	428,694	—	428,694
Segment profit	36,679	—	36,679
Unallocated income			11,944
Unallocated expenses			(6,904)
Finance costs			(1,795)
Profit before taxation			39,924

Segment profit/(loss) represents the profit/(loss) earned/(incurred) by each segment without allocation of certain administrative expenses, other gains and losses, fair value gain on contingent consideration receivables, finance costs and unallocated income and expenses. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

All the segment revenue reported above is from external customers.

7 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

(ii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

Segment assets

	2019	2018
	HK$'000	HK$'000
Concrete placing services and other ancillary services	**197,740**	256,025
Sales of new energy vehicles, logistics related services and car leasing	**1,158,168**	—
Total segment assets	**1,355,908**	256,025
Property, plant and equipment	**4,872**	—
Amount due from a non-controlling shareholder of a subsidiary	**24,932**	—
Contingent consideration receivables	**35,463**	—
Other receivables, deposits and prepayments	**67,039**	206,295
Current income tax recoverable	**—**	2,145
Cash and bank balances	**1,917**	5,897
Consolidated assets	**1,490,131**	470,362

Segment liabilities

	2019	2018
	HK$'000	HK$'000
Concrete placing services and other ancillary services	**57,075**	116,860
Sales of new energy vehicles, logistics related services and car leasing	**516,695**	—
Total segment liabilities	**573,770**	116,860
Other payables and accruals	**159,929**	118,295
Deferred tax liabilities	**2,897**	4,622
Consolidated liabilities	**736,596**	239,777

7 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

(iii) Other segment information

	Concrete placing services and other ancillary services HK$'000	Sales of new energy vehicles, logistics related services and car leasing HK$'000	Total HK$'000
For the year ended 31 March 2019			
Additions to non-current assets	**5,569**	**600,147**	**605,716**
Depreciation for property, plant and equipment	**(12,973)**	**(3,631)**	**(16,604)**
Gain/(Loss) on disposal of property, plant and equipment	**6**	**(19)**	**(13)**
Loss on written off of property, plant and equipment	**–**	**(13)**	**(13)**
Impairment loss on goodwill	**–**	**(116,674)**	**(116,674)**
Interest income	**83**	**107**	**190**
Interest expense	**(6,343)**	**(4,363)**	**(10,706)**
Income tax credit/(expense)	**65**	**(1,063)**	**(998)**
For the year ended 31 March 2018			
Additions to non-current assets	6,000	–	6,000
Depreciation for property, plant and equipment	(13,358)	–	(13,358)
Gain on disposal of property, plant and equipment	455	–	455
Interest income	5,335	–	5,335
Interest expense	(1,795)	–	(1,795)
Income tax expense	(7,898)	–	(7,898)

Note: Non-current assets included property, plant and equipment and goodwill.

(iv) Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the destination of shipment for sales of products or location of services rendered/operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Revenue from external customers

	2019 HK$'000	2018 HK$'000
PRC	**106,694**	–
Hong Kong	**314,173**	428,694
	420,867	428,694

7 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

(iv) Geographical information (continued)

Non-current assets by geographical location

	2019 HK$'000	2018 HK$'000
PRC	502,891	—
Hong Kong	26,834	34,238
	529,725	34,238

(v) Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A	80,747	147,121
Customer B	62,480	91,527
Customer C	55,911	54,611

8 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	25	7
Loan interest income	—	5,250
Rental income	2,456	1,660
Interest income from life insurance policies	80	78
Finance lease interest income	85	—
Government grants *(Note)*	136	1,197
Insurance claims	1,748	3,117
Gain on disposal of property, plant and equipment	—	455
Gain on exchange difference	8	—
Others	463	179
	5,001	11,943

Note: There are no unfulfilled conditions or contingencies relating to these grants.

9 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging:

	2019 HK$'000	2018 HK$'000
Auditors' remuneration	1,814	1,050
Cost of inventories recognised as an expense	381,129	353,527
Depreciation of property, plant and equipment		
— included in cost of sales	14,595	12,073
— included in selling and distribution expenses	4	—
— included in administrative and other operating expenses	2,005	1,285
Staff costs (including directors' emoluments)	207,518	226,609
Operating lease rental on premises	6,281	863

10 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	204,587	258,945
Retirement scheme contributions		
— defined contribution plan	2,932	3,207
	207,519	262,152
Less: Amount included in gross amounts due from/(to) customers for contract work	—	(35,543)
	207,519	226,609

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

The Company's subsidiaries established in the PRC participate in a mandatory central pension scheme organised by the PRC Government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the scheme. The employer's contributions vest fully once they are made.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 March 2019 and 2018 in respect of the retirement of its employees.

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the year are set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2019					
Executive directors					
Mr. Zhang Jinbing (Chairman and Chief Executive Officer)	–	–	–	–	–
Mr. Ni Biao (appointed on 8 June 2018)	–	98	–	–	98
Non-executive director					
Mr. Poon Chiu Kwok (appointed on 12 January 2018 and resigned on 6 June 2018)	22	–	–	–	22
Independent non-executive directors					
Mr. Tam Ping Kuen, Daniel (appointed on 3 September 2018)	69	–	–	–	69
Dr. Zhu Zhengfu	120	–	–	–	120
Dr. Li Yifei	120	–	–	–	120
Mr. Tse Chi Wai (retired on 31 August 2018)	50	–	–	–	50
	381	98	–	–	479
Year ended 31 March 2018					
Executive directors					
Mr. Zhang Jinbing (Chairman and Chief Executive Officer) (appointed on 12 January 2018)	–	–	–	–	–
Mr. Cheung Yuk Kei ("Mr. Cheung") (Chairman) *(Note (i))*	–	1,960	1,017	14	2,991
Mr. Cheung Man Tim ("Mr. Tim Cheung") (Chief Executive Officer) *(Note (i))*	–	915	563	14	1,492
Mr. Fung Chi Chung ("Mr. Fung") *(Note (i))*	–	1,300	392	14	1,706
Non-executive director					
Mr. Poon Chiu Kwok (appointed on 12 January 2018 and resigned on 6 June 2018)	29	–	–	–	29
Independent non-executive directors					
Mr. Miu Hon Kit *(Note (ii))*	169	–	–	8	177
Mr. Leung Chi Wai *(Note (ii))*	169	–	–	8	177
Mr. Seid Ka Him *(Note (ii))*	94	–	–	4	98
Dr. Zhu Zhengfu (appointed on 12 January 2018)	29	–	–	–	29
Dr. Li Yifei (appointed on 12 January 2018)	29	–	–	–	29
Mr. Tse Chi Wai (appointed on 12 January 2018)	29	–	–	–	29
	548	4,175	1,972	62	6,757

11 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

During the year ended 31 March 2019, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2019 (2018: Nil).

Note:

(i) Mr. Cheung was appointed on 31 May 2016 as a director of the Company and re-designated as an executive director of the Company on 28 June 2016, Mr. Fung and Mr. Tim Cheung were appointed as executive directors of the Company on 28 June 2016. Mr. Cheung was also a director of certain subsidiaries of the Company and Mr. Fung and Mr. Tim Cheung were also employees of the Group during the years ended 31 March 2017 and 2018 and the Group paid emoluments to them in their capacity as the director of these subsidiaries and employees of the Group before their appointment as executive directors of the Company. Mr. Cheung, Mr. Fung and Tim Cheung were resigned on 12 January 2018.

(ii) Mr. Miu Hon Kit, Mr. Leung Chi Wai and Mr. Seid Ka Him were appointed as independent non-executive directors of the Company on 27 September 2016 and all were resigned on 12 January 2018.

(b) Five highest paid individuals

For the year ended 31 March 2019, the five individuals whose emoluments were the highest in the Group include Nil (2018: three) directors, whose emoluments are disclosed above. The emoluments paid to the remaining five (2018: two) individuals for the year ended 31 March 2019 are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and allowances	**6,904**	2,222
Discretionary bonuses	**2,544**	1,762
Retirement scheme contributions	**90**	36
	10,138	4,020

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK$)		
HK$1,000,001 — HK$1,500,000	**2**	—
HK$1,500,001 — HK$2,000,000	**1**	1
HK$2,000,001 — HK$2,500,000	**2**	1

During the year ended 31 March 2019, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2018: Nil).

12 FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on finance leases	932	136
Interest on bank borrowings	3,524	272
Interest on loan from the former substantial shareholder	6,250	1,387
	10,706	1,795

13 INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax:		
— Current income tax	1,660	7,408
— Underprovision in prior years	—	540
PRC Enterprise Income Tax ("**EIT**"):		
— Current income tax	1,063	—
Deferred income tax *(Note 32)*	(1,725)	(50)
Income tax expense	998	7,898

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

13 INCOME TAX EXPENSE (CONTINUED)

Reconciliation between income tax expenses and accounting (loss)/profit at applicable tax rates:

	2019 **HK$'000**	2018 HK$'000
(Loss)/profit before income tax	**(106,197)**	39,924
Notional tax calculated at the rates applicable to the profit in the tax jurisdictions concerned	**(17,322)**	6,587
Tax effect of non-taxable income	**(5,871)**	(9)
Tax effect of expenses not deductible for tax purposes	**20,899**	863
Tax concession	**(272)**	(90)
Utilisation of previously unrecognised tax losses	**(164)**	—
Tax effect of tax losses not recognised	**3,728**	7
Under provision in prior years	**—**	540
Income tax expense	**988**	7,898

14 (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on the following data:

	2019	2018
(Loss)/profit attributable to owners of the Company (HK$'000)	**(106,092)**	32,026
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	**(832,270)**	764,800
Basic (loss)/earnings per share (HK cents)	**(12.75)**	4.19

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2018 and 2019.

15 LIST OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2019 and 2018:

Name	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			2019	2018	
Directly held					
Chong Kin Group Limited ("**Chong Kin BVI**")	BVI	US$1	**100%**	100%	Investment holding
Indirectly held					
Kam Fung Engineering Limited ("**Kam Fung**")	Hong Kong	HK$10,000	**100%**	100%	Provision of concrete placing services and other ancillary services
Sang Fu Engineering Limited ("**Sang Fu**")	Hong Kong	HK$100	**100%**	100%	Provision of concrete placing services and other ancillary services
Global Sunny Engineering Limited ("**Global Sunny**")	Hong Kong	HK$100	**100%**	100%	Provision of concrete placing services and other ancillary services
Richway Mechanical Engineering Co., Limited ("**Richway Mechanical**")	Hong Kong	HK$100	**100%**	100%	Provision of concrete placing services and other ancillary services
First Tech Worldwide Limited ("**First Tech**")	Hong Kong	HK$1	**100%**	100%	Inactive
China Golden Holdings Ltd	Hong Kong	HK$100	**100%**	Nil	Investment holding
Stand East Investment Limited ("**Stand East**")	BVI	US$2	**100%**	Nil	Investment holding
Profit Empire Investment Ltd	Hong Kong	HK$1	**100%**	Nil	Investment holding
中軍凱旋汽車租賃公司 (transliterated as Zhong Jun Kai Xuan Automotive Leasing Company)	PRC	Registered capital of RMB260,000,000	**90%**	Nil	Investment holding
深圳中鑄凱旋供應鏈管理有限公司 (transliterated as Shenzhen Zhong Jun Kaixuan Supply Chain Management Co., Limited)	PRC	Registered capital of RMB100,000,000	**90%**	Nil	Sales of new energy vehicles, logistics related services and car leasing
蕪湖中軍汽車服務有限公司 (transliterated as Wuhu Zhong Jun Automotive Services Co., Limited)	PRC	Registered capital of RMB50,000,000	**90%**	Nil	Sales of new energy vehicles, logistics related services and car leasing

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

16 DIVIDENDS

No dividend was proposed or paid during the year ended 31 March 2019 (2018: Nil).

17 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK$'000 *(Note a)*	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2017	106,568	220	962	8,002	115,752
Additions	6,000	–	–	–	6,000
Disposals	(34,885)	–	–	(1,965)	(36,850)
At 31 March 2018	77,683	220	962	6,037	84,902
Accumulated depreciation					
At 1 April 2017	68,641	220	956	3,609	73,426
Charge for the year	12,073	–	2	1,283	13,358
Disposals	(34,885)	–	–	(1,235)	(36,120)
At 31 March 2018	45,829	220	958	3,657	50,664
Net book value					
At 31 March 2018	31,854	–	4	2,380	34,238
Cost					
At 1 April 2018	**77,683**	**220**	**962**	**6,037**	**84,902**
Acquisition through business combinations	**–**	**534**	**647**	**8,467**	**9,648**
Additions	**–**	**2,577**	**2,414**	**94,574**	**99,565**
Disposals	**–**	**–**	**–**	**(172)**	**(172)**
Written off	**–**	**–**	**(14)**	**–**	**(14)**
Transfer to inventories	**–**	**–**	**–**	**(5,611)**	**(5,611)**
Disposal of a subsidiary	**–**	**–**	**–**	**(20)**	**(20)**
Exchange adjustments	**–**	**28**	**47**	**1,642**	**1,717**
At 31 March 2019	**77,683**	**3,359**	**4,056**	**104,917**	**190,015**
Accumulated depreciation					
At 1 April 2018	**45,829**	**220**	**958**	**3,657**	**50,664**
Charge for the year	**11,586**	**265**	**300**	**4,453**	**16,604**
Disposals	**–**	**–**	**–**	**(141)**	**(141)**
Written off	**–**	**–**	**(1)**	**–**	**(1)**
Transfer to inventories	**–**	**–**	**–**	**(189)**	**(189)**
Disposal of a subsidiary	**–**	**–**	**–**	**(1)**	**(1)**
Exchange adjustments	**–**	**2**	**3**	**48**	**53**
At 31 March 2019	**57,415**	**487**	**1,260**	**7,827**	**66,989**
Net book value					
At 31 March 2019	**20,268**	**2,872**	**2,796**	**97,090**	**123,026**

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

(a) Machinery and equipment and motor vehicles include the following amounts where the Group is a lessee under finance leases:

	Motor vehicles 2019 HK$'000	**Machinery and equipment** 2018 HK$'000
Cost — capitalised finance leases	**35,732**	7,700
Accumulated depreciation	**(2,008)**	(5,518)
Net book value	**33,724**	2,182

(b) Depreciation expense of approximately HK$14,595,000 (2018: HK$12,073,000) has been included in cost of sales.

18 GOODWILL

	HK$'000
Cost	
Acquisition of subsidiaries *(Note 35)*	506,151
Exchange adjustments	19,011
At 31 March 2019	**525,162**
Accumulated impairment losses	
Impairment loss recognised for the year	116,674
Exchange adjustments	1,789
At 31 March 2019	**118,463**
Carrying amount	
At 31 March 2019	**406,699**

Impairment test

Goodwill set out above has been allocated to one individual cash generating units ("**CGU**"), comprising the subsidiaries in the sales of new energy vehicles, logistics related services and car leasing segment.

The goodwill arose from the acquisition of Stand East and its subsidiaries ("**Stand East Group**"), which are engaged in the transportation and car leasing business, on 22 October 2018.

The recoverable amount of the CGU was based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering the period of 5 years.

18 GOODWILL (CONTINUED)

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The discount rate applied to the cash flow projections is 29.1%. The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions. Based on the valuation report prepared by independent professional valuers, Grant Sherman Appraisal Limited ("**Grant Sherman**"), an impairment loss of approximately HK$116,674,000 was recognised for the year. The impairment mainly represented the elimination of the difference between the fair values of the shares of the Company based on closing price of HK$3.8 per share at the completion date of acquisition on 22 October 2018 and the issue price of the shares of the Company of HK$3 per share at the date of signing sale and purchase agreement on 12 June 2018.

19 CONTINGENT CONSIDERATION RECEIVABLES

	HK$'000
At fair value	
Acquisition of subsidiaries *(Note 35)*	1,223
Change in fair value	34,240
At 31 March 2019	35,463

The fair value of the contingent consideration receivable is related to profit guarantee of HK$20,000,000 by the vendor of Stand East for each of three financial years ending 31 December 2019, 2020 and 2021.

The arrangement of the profit guarantee compensation requires the former owner of Stand East to guarantee the Group that the total net profits of Stand East Group after tax for the financial years ending 31 December 2019, 2020 and 2021 shall not be less than HK$20 million per financial year. If the total net profits fail to meet HK$20 million for any financial year, the former owner shall have to compensate the Group on the shortfall to the total net profits in cash based on the formula (amount of compensation = (HK$20 million — actual net profits) x 22.944, capped at the total consideration for acquisition of Stand East Group), for each of the financial year.

The contingent consideration receivables represent the fair value of the profit guarantees in accordance with the share purchase agreements for the acquisition of Stand East Group, which is estimated by Grant Sherman. As at 31 March 2019, the fair value of the contingent consideration receivables were estimated by applying income approach on the estimated profits of Stand East Group for the years ended 31 December 2019, 2020 and 2021.

The variables and assumptions used in computing the fair value of the contingent consideration receivable are based on the management's best estimate. The value of the contingent consideration receivable varies with different variables of certain subjective assumptions.

The fair value of contingent consideration receivables is a level 3 recurring fair value measurement. Please refer to Note 6(c) for significant unobservable inputs for the valuation approach and the sensitivity analysis of the change in significant unobservable inputs to the fair values of contingent consideration receivables.

20 FINANCE LEASE RECEIVABLES

(a) Certain plant and machinery/rental vehicles of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	2019	2018
	HK$'000	HK$'000
Analysed as:		
Current	**9,080**	—
Non-current	**14,248**	—
	23,328	—

	Minimum lease payments		**Present value of minimum lease payments**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**9,321**	—	**9,080**	—
In more than one year but not more than two years	**8,855**	—	**8,225**	—
In more than two years but not more than five years	**6,774**	—	**6,023**	—
In more than five years	**—**	—	**—**	—
	24,950	—	**23,328**	—
Less: Unearned finance income	**(1,622)**	—	**N/A**	N/A
Present value of minimum lease payment receivables	**23,328**	—	**23,328**	—

(b) Effective interest rates of the above finance leases were 4.75% per annum.

(c) Finance lease receivables are denominated in RMB.

21 OTHER DEPOSITS

	2019 HK$'000	2018 HK$'000
Deposits and prepayments for life insurance policies	**3,730**	3,650

The Group entered into two life insurance policies (the "**Policies**") with an insurance company to insure shareholders of the Company. Under the Policies, the beneficiaries and policy holders are subsidiaries of the Company and the total insured sums are United States dollars ("US$") 1,500,000 (equivalent to approximately HK$11,700,000).

At inception of the policies, the Group is required to make a total single upfront payments of US$435,120 (equivalent to approximately HK$3,394,000) which include fixed policy premium charge and deposits. Monthly policy expense and insurance charge will be incurred over the insurance period with reference to the terms set out in the Policies.

The insurance company will pay the Group guaranteed interest rates of 3.3% for the first three years and 4.0% for the first year, respectively, and a variable return per annum afterwards (with guaranteed minimum interest rate of 3.0% and 2.0%, respectively, during the effective period of the Policies). The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the Policies and the deposits placed are carried at amortised cost using the effective interest method. The Group may request full surrender of the Policies at any time and receive cash back based on the value of the Policies at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus the policy expense and insurance premium charge. If such withdrawal are made between the first to fifteenth policy year and first to eighteenth policy year, respectively, a pre-determined specified surrender charge would be imposed on the Group.

The directors of the Company consider that the possibility of terminating the Policies during the first to fifteenth policy year and first to eighteenth policy year, respectively, was low and the expected life of the life insurance policy remains unchanged since its initial recognition.

22 INVENTORIES

	2019 HK$'000	2018 HK$'000
New energy vehicles held for sales	**341,776**	–

23 LOAN AND INTEREST RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Loan receivables	**55,452**	210,000
Interest receivables	**–**	3,479
	55,452	213,479

Pursuant to the loan agreement made on 12 February 2018 between the Company and the borrower, the loan receivables of HK$210 million bear interest at a rate of 18% per annum for a term of 12 months from the date of the said loan agreement, and are secured by a legal charge over the borrower's assets.

The Company appointed joint and several receivers over the substantial assets of the borrower in April 2018 in view of the occurrence of an event of default on the part of the borrower. Pursuant to the said legal charge, the joint and several receivers subsequently sold the substantial assets to recover the loan receivables. The Company has also taken legal action against the borrower for recovering the remaining loan receivables and obtained orders for sale at the High Court in Hong Kong over other assets of the borrowers.

Based on the current assessment, the management believes that no impairment allowance is necessary in respect of those loan and interest receivables as the balances are considered fully recoverable (2018: Nil).

24 TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade receivables *(Note (a) and (b))*	**61,236**	9,745
Prepayments	**104,993**	1,284
Deposits and other receivables	**107,579**	464
Retention receivables	**–**	58,200
	273,808	69,693

Note:

(a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 0 to 30 days (2018: 14 to 60 days) from payment application date generally.

24 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note: (continued)

(b) The ageing analysis of the trade receivables based on the invoice date and net of loss allowance, is as follows:

	2019 **HK$'000**	2018 HK$'000
0–30 days	**13,128**	7,592
31–60 days	**2,283**	1,000
61–90 days	**793**	–
Over 90 days	**45,032**	1,153
	61,236	9,745

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and financial position of the customer). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade and retention receivables using a provision matrix:

At 31 March 2019

	Expected credit loss rate (%)	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	**Net carrying amount HK$'000**
Provision on individual basis (Note)				
91 days to 180 days past due	**0%**	**43,071**	**–**	**43,071**
181 days to 365 days past due	**0%**	**1,870**	**–**	**1,870**
Provision on collective basis				
Current	**0%**	**10,950**	**–**	**10,950**
Within 90 days past due	**0%**	**5,345**	**–**	**5,345**

Note:

As at 31 March 2019, trade and retention receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience. The directors are of the opinion that the credit risk of these receivables is low due to the sound collection history of the receivables due from them and forward-looking information available at the end of the reporting period. Therefore, expected credit loss rate of these receivables is assessed to be close to zero and no provision was made for the year ended 31 March 2019.

24 TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment under HKAS 39 for the year ended 31 March 2018

Trade receivables of approximately HK$6,983,000 as at 31 March 2018 were not yet past due and approximately HK$2,762,000 as at 31 March 2018 were past due but not impaired. Trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The Group does not hold any collateral over those balances. The ageing analysis of these trade receivables is as follows:

	2018 HK$'000
0–30 days	—
31–60 days	1,609
61–90 days	—
Over 90 days	1,153
	2,762

The provision for impairment of trade receivables was measured based on incurred credit losses under HKAS 39. The trade receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship and those distributors with strategic business relationship with the Group and the repayment history of these customers were good.

Retention receivables as at 31 March 2018 were not yet past due and will be settled in accordance with the terms of respective contract.

25 CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets

	2019 **HK$'000**	1 April 2018 HK$'000 *(Note)*
Construction contracts	**147,583**	146,388

Note: The amount in this column is after adjustments from the application of HKFRS 15

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The contract assets also included retention receivables which will be settled in accordance with the terms of respective contract.

25 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Contract assets (continued)

An impairment analysis is performed at each reporting date on the contract assets using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as disclosed in Note 24, as the contract assets and the trade receivables are from the same customer bases. Since the contract assets are not yet past due and the expected timing of recovery or settlement for contract assets as at 31 March 2019 is within one year, the expected credit losses of contract assets were minimal as at 31 March 2019.

Contract liabilities

	2019 **HK$'000**	1 April 2018 HK$'000 *(Note)*
Sale of new energy vehicles	**1,520**	–
Provision for logistics related services	**41**	–
	1,561	–

Note: Upon the adoption of HKFRS 15, amounts previously included as "Receipts in advance" in "Accruals and other payables" (note 28) were reclassified to contract liabilities.

When the Group receives a deposit before the goods this will give rise to contract liabilities at the start of a contract, until the revenue is recognised.

For some sales orders, the Group may ask the customers to made a deposit on acceptance of the order, with the remainder of the consideration payable at the earlier of delivery of the finished goods and notice from the customer to cancel the order. If the customer cancels the order, then the Group is immediately entitled to receive payment for work done to date.

26 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2019 **HK$'000**	2018 HK$'000
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	**–**	988,284
Less: Progress billings received and receivable	**–**	(862,955)
	–	125,329

	2019 **HK$'000**	2018 HK$'000
Gross amounts due to customers for contract work		
Progress billings received and receivable	**–**	510,199
Less: Contract costs incurred plus recognised profits less recognised losses	**–**	(472,421)
	–	37,778

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

27 CASH AND BANK BALANCES

	2019 **HK$'000**	2018 HK$'000
Cash at banks	**45,449**	21,828
Cash on hand	**5**	–
	45,454	21,828

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

At 31 March 2019, the Group's bank balances and cash denominated in RMB amounted to approximately RMB32,012,000 (2018: Nil), equivalent to approximately HK$37,365,000 (2018: Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

28 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	170,266	11,061
Accruals and other payables	106,117	29,132
	276,383	40,193

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

	2019 HK$'000	2018 HK$'000
0–30 days	21,544	9,537
31–60 days	2,310	1,485
61–90 days	—	39
Over 90 days	146,412	—
	170,266	11,061

29 AMOUNT DUE TO A FORMER DIRECTOR

The amount due to Mr. Cheung Yuk Kei is unsecured, non-interest bearing and has no fixed term of repayment.

30 AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/AMOUNT DUE TO A SHAREHOLDER/A DIRECTOR/A RELATED PARTY

The amounts are unsecured, non-interest bearing and has no fixed term of repayment.

31 BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Current		
Bank borrowings, secured *(Note (a), (b) and (g))*	**238,434**	—
Loan from former substantial shareholder *(Note (c))*	**132,637**	—
Finance lease liabilities *(Note (d))*	**10,353**	797
	381,424	797
Non-current		
Loan from former substantial shareholder *(Note (c))*	**—**	126,387
Finance lease liabilities *(Note (d))*	**15,784**	—
	15,784	126,387
Total borrowings	**397,208**	127,184

Note:

(a) Bank borrowings

The bank borrowings contains a Repayment on Demand clauses. According to the repayment schedule, the bank borrowings are repayable as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**238,434**	—

31 BORROWINGS (CONTINUED)

Note: (continued)

(b) The carrying amounts of the bank overdrafts and bank borrowings are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
RMB	**238,434**	–

(c) The loan advanced by Pioneer Investment Limited, the former substantial shareholder, is unsecured and bears interest at 5% per annum and will be repayable in January 2020.

(d) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option.

	2019 **HK$'000**	2018 HK$'000
Gross finance lease liabilities – minimum lease payments		
Within 1 year	**11,734**	809
Between 1 and 2 years	**15,378**	–
	27,112	809
Future finance charges on finance leases	**(975)**	(12)
Present value of finance lease liabilities	**26,137**	797

The present value of finance lease liabilities is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**10,353**	797
Between 1 and 2 years	**15,784**	–
	26,137	797

The finance leases are secured by the Group's machinery and equipment and motor vehicles with an aggregate net book value of approximately nil (2018: HK$2,182,000) and HK$33,724,000 (2018: Nil) respectively as at 31 March 2019.

31 BORROWINGS (CONTINUED)

Note: (continued)

(d) Finance lease liabilities (continued)

The carrying amounts of finance lease liabilities are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
HKD	**1,364**	–
RMB	**24,773**	–
	26,137	–

(e) The interest rates per annum of borrowings are as follows:

	2019	2018
Bank borrowings	**6%**	3.5%
Loan from former substantial shareholder	**5%**	5%
Finance lease liabilities	**1.8%–12%**	5.67%

(f) The banking facilities as at 31 March 2019 are secured/guaranteed by:

(i) Pledged of motor vehicles and inventories with an aggregate net book value of approximately HK$33,371,000 and HK$169,727,000 respectively as at 31 March 2019; and

(ii) Corporate guarantee provided by the Company as at 31 March 2019.

32 DEFERRED TAX LIABILITIES

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

Deferred tax liabilities arising from:	**Depreciation allowances in excess of the related depreciation** HK$'000
At 1 April 2017	4,672
Charged to profit or loss *(Note 13)*	(50)
At 31 March 2018 and 1 April 2018	4,622
Exchange realignment	
Charged to profit or loss *(Note 13)*	**(1,725)**
At 31 March 2019	**2,897**

As at 31 March 2019, the Group has unused tax losses of approximately HK$18,806,000 (2018: HK$998,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$11,233,000 (2018: HK$Nil) that will expire after 5 years from the year in which the tax losses were incurred. Other losses may be carried forward indefinitely.

33 SHARE CAPITAL

	Number of ordinary shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2017, 31 March 2018	764,800,000	7,648
Issue of shares upon acquisition of subsidiary *(Note 35)*	152,960,000	1,530
At 31 March 2019	917,760,000	9,178

Note: All the shares issued ranked pari passu in all respects with the then existing shares in issue.

34 SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 27 September 2016 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

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

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

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

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

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

34 SHARE OPTION SCHEME (CONTINUED)

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

The Scheme shall be valid and effective for a period of ten years commencing on 27 September 2016, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2018 and 2019.

35 ACQUISITION OF SUBSIDIARIES

On 12 June 2018, the Group as the purchaser entered into a conditional sale and purchase agreement, and subsequently revised by a supplementary agreement, with an independent third party as the vendor to acquire the entire issued share capital and shareholder's loan of Stand East at the total consideration of HK$458,880,000. The acquisition was completed on 22 October 2018, which is also the acquisition date for accounting purpose. The total consideration was settled by the issue of 152,960,000 shares of the Company ("**Consideration Shares**"). The fair value of the Consideration Shares on 22 October 2018, amounted to HK$582,777,600. The fair value of the Consideration Shares was determined by reference to the published closing price of HK$3.81 at the completion date. Stand East Group is principally engaged in provision of new energy vehicle and logistics related services in the PRC. The acquisition was made as part of the Group's strategy to expand into and develop its logistics related services in the PRC.

The Group has elected to measure the non-controlling interests in Stand East at the non-controlling interest's proportionate share of fair values of Stand East's identifiable net assets.

35 ACQUISITION OF SUBSIDIARIES (CONTINUED)

The fair value of the identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	9,648
Inventories	30,566
Trade and other receivables	74,317
Cash and bank balances	71,985
Trade and other payables	(97,584)
Total identifiable net assets at fair value	88,932
Non-controlling interests	13,528
Consideration	581,555
Less: Fair value of net assets acquired	(75,404)
Goodwill *(Note 18)*	506,151
Total purchase consideration satisfied by:	
Issuance of new shares at fair value	582,778
Contingent consideration receivables *(Note 19)*	(1,223)
	581,555
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	71,985

Goodwill arising on the acquisition of Stand East in the current year is determined on the fair value of the net identifiable assets acquired. The management of the Company has engaged an independent professional valuer, Grant Sherman, to carry out a valuation on the fair value of the net identifiable assets acquired as at date of acquisition. The goodwill arose from the acquisition of Stand East mainly represented (1) the difference between the fair values of the shares of the Company on the completion date of acquisition on 22 October 2018 and the issue price of the shares of the Company at the date of signing sales and purchase agreement on 12 June 2018 and (2) significant future prospect and the business value of Stand East Group.

Since the acquisition date, Stand East Group has contributed revenue of approximately HK$106,694,000 and a loss after income tax of approximately HK$10,977,000 to the Group. If the acquisition had occurred on 1 April 2018, consolidated revenue and consolidated loss after income tax of the Group for the year ended 31 March 2019 would have been approximately HK$433,111,000 and HK$116,937,000 respectively.

36 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax	(106,197)	39,924
Adjustments for:		
Depreciation of property, plant and equipment	16,604	13,358
Interest income	(105)	(85)
Finance lease income	(85)	—
Impairment of goodwill	116,674	—
Loss on disposal of a subsidiary	19	—
Fair value gain on contingent consideration receivables	(34,240)	—
Finance cost	10,706	1,795
Written off of property, plant and equipment	13	—
Loss/(gain) on disposal of property, plant and equipment	13	(455)
Operating profit before working capital changes	3,402	54,537
Increase in inventories	(299,956)	—
Increase in trade and other receivables	(137,389)	(7,849)
(Increase)/decrease in finance lease receivables	(22,891)	—
Decrease/(increase) in loan and interest receivables	158,027	(213,479)
Decrease/(increase) in gross amounts due from customers for contract work	125,329	(20,398)
Increase in contract assets	(147,583)	—
Increase in amount due from a non-controlling shareholder of a subsidiary	(10,407)	—
Increase/(decrease) in trade and other payables	204,213	(1,476)
Decrease in gross amounts due to customers for contract work	(37,778)	(12,862)
Increase in contract liabilities	1,561	—
Net cash used in operations	(163,472)	(201,527)

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Finance lease liabilities HK$'000	Bank borrowings HK$'000	Loan from former substantial shareholder HK$'000	Amount due to a former director HK$'000	Amount due to a shareholder HK$'000	Amount due to a director HK$'000	Amount due to a related party HK$'000	Total liabilities from financing activities HK$'000
At 1 April 2017	11,932	10,822	–	–	–	–	–	22,754
Changes in cash flows	(11,135)	(10,822)	125,000	30,000	–	–	–	133,043
Non-cash changes – additions	–	–	1,387	–	–	–	–	1,387
At 31 March 2018 and 1 April 2018	797	–	126,387	30,000	–	–	–	157,184
Changes in cash flows	(3,888)	234,832	–	–	3,150	(47,929)	1,150	187,315
Non-cash changes – additions	29,228	3,602	6,250	–	–	70,000	–	109,080
At 31 March 2019	26,137	238,434	132,637	30,000	3,150	22,071	1,150	453,579

36 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Material non-cash transactions

(i) During the year ended 31 March 2019, additions to property, plant and equipment of HK$28,854,000 (2018: HK$Nil) were financed by finance lease arrangements.

(ii) During the year ended 31 March 2019, 152,960,000 additional ordinary shares of the Company were allotted and issued, credited as fully paid, as consideration for the acquisition of the entire issued share capital in and shareholder's loan of Stand East, as further detailed in Note 35.

37 COMMITMENTS

(a) Capital commitments

The Group did not have any significant capital commitment as at 31 March 2019 (2018: Nil).

(b) Operating lease commitments — Group as lessor

At the end of each of the reporting period, the total future minimum receipts under non-cancellable operating leases were receivable as follow:

	2019	2018
	HK$'000	HK$'000
Within one year	**12,915**	—
In the second to fifth years inclusive	**3,948**	—
	16,863	—

The Group is the lessor in respect of office premises and car leasing under operating leases. The leases typically run for an initial period of 3 months to 2 years, with an option to renew the leases when all terms are renegotiated.

(c) Operating lease commitments — Group as lessee

At the end of each of the reporting period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**9,817**	554
In the second to fifth years inclusive	**10,958**	—
	20,775	554

The Group is the lessee in respect of office premises and car parks under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the leases when all terms are renegotiated.

38 RELATED PARTY TRANSACTIONS

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

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group did not have any significant related party transactions with related parties during the year.

(b) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in Note 11.

39 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	2,780	—
Investment in subsidiaries	676,357	93,580
	679,137	93,580
CURRENT ASSETS		
Loan and interest receivables	55,453	213,479
Deposits, prepayments and other receivables	4,144	—
Amount due from a director	1	—
Amounts due from subsidiaries	150,042	505
Cash and bank balances	1,445	5,717
	211,085	219,701
CURRENT LIABILITIES		
Trade and other payables	2,438	1,574
Amount due to a shareholder	2,000	—
Amounts due to subsidiaries	155,673	155,674
	160,111	157,245
NET CURRENT ASSETS	50,974	62,453
NET ASSETS	730,111	156,033
CAPITAL AND RESERVES		
Share capital	9,178	7,648
Reserves	720,933	148,385
TOTAL EQUITY	730,111	156,033

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 25 June 2019 and signed on its behalf by:

Mr. Zhang Jinbing
Director

Mr. Ni Biao
Director

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

(b) Reserve movement of the Company

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2017	61,649	93,580	(5,561)	149,668
Loss and total comprehensive expense for the year	—	—	(1,283)	(1,283)
At 31 March 2018 and 1 April 2018	61,649	93,580	(6,844)	148,385
Loss and total comprehensive expense for the year	—	—	(8,700)	(8,700)
Acquisition of subsidiaries *(Note 35)*	581,248	—	—	581,248
At 31 March 2019	642,897	93,580	(15,544)	720,933

41 EVENTS AFTER THE REPORTING PERIOD

(i) On 14 January 2019, the Group entered into the sales and purchase agreements (the "**Agreements**") with independent third parties relating to the acquisition of 100% and 86.67% of the equity interest in Blossom Field Trading Develop Limited and Hua Yao Shi Ye (Shenzhen) Company Limited 華耀實業（深圳）有限公司 (together referred to as the "**Target Companies**") respectively (the "**Acquisition**") and in turn shall effectively hold approximately 90% of the equity interest in Hua Yao Finance Leasing (Shenzhen) Company Limited 華耀融資租賃（深圳）有限公司 (the "**Hua Yao Finance Leasing**"), the Group has expanded the business of finance leasing through the Hua Yao Finance Leasing. In accordance with the Agreements, the consideration for the Acquisition would be satisfied by immediately available funds of HK$125,000 and HK$325,000 respectively. Total purchase price of amount of HK$450,000 shall be paid up by cash as start-up cost as Hua Yao Finance Leasing has no business operation on the completion date of the registration and filing procedures in respect of the sale and purchase of the Target Companies sale shares.

Upon completion of the Acquisition, the Group shall contribute to the registered capital of the Hua Yao Finance Leasing on a pro rata basis of its effective interest of 90% of the equity interest in the Hua Yao Finance Leasing in the sum of USD27,000,000 (equivalent to approximately HK$210,600,000) which is required to be paid on or before 31 December 2045. The Acquisition was completed on 23 April 2019.

Details of the Acquisition are set out in the Company's circular dated 28 February 2019.

41 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(ii) On 15 April 2019, the Company and the subscriber, Prestige Rich (the "**Subscriber**"), a company controlled by Mr. Zhang Jinbing, entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the subscription shares, being 60,000,000 new shares of the Company, at the subscription price of HK$3.5 per subscription share (the "**Subscription**").

The gross proceeds and the net proceeds (after deducting professional fees and other related expenses) from the Subscription will be approximately HK$210,000,000 and approximately HK$209,700,000 respectively. It is intended that the net proceeds from the Subscription will be fully utilised for investment in the finance leasing business of the Group in the PRC via payment of the registered capital of Hua Yao Finance Leasing.

The Subscriber is the controlling shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules.

The Subscription has been approved by the independent shareholders at the extraordinary general meeting of the Company held on 18 June 2019. Details of the Subscription are set out in the Company's announcement and circular dated 15 April 2019 and 31 May 2019 respectively.

FINANCIAL SUMMARY

	Year ended 31 March			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**420,867**	428,694	485,646	378,479
Cost of sales	**(381,129)**	(353,527)	(400,398)	(310,389)
Gross profit	**39,738**	75,167	85,248	68,090
Other income	**5,001**	11,943	5,260	2,851
Fair value gain on contingent consideration receivables	**34,240**	—	—	—
Impairment loss on goodwill	**(116,674)**	—	—	—
Selling and distribution expenses	**(1,781)**	—	—	—
Administrative and other operating expenses	**(56,015)**	(45,391)	(37,211)	(32,075)
Operating (loss)/profit	**(95,491)**	41,719	53,297	38,866
Finance costs	**(10,706)**	(1,795)	(1,275)	(1,158)
(Loss)/profit before income tax	**(106,197)**	39,924	52,022	37,708
Income tax expense	**(998)**	(7,898)	(7,597)	(7,501)
(Loss)/profit for the year	**(107,195)**	32,026	44,425	30,207
Attributable to:				
Equity shareholders of the Company	**(106,092)**	32,026	44,425	30,207
Non-controlling interests	**(1,103)**	—	—	—
(Loss)/profit for the year	**(107,195)**	32,026	44,425	30,207
Basic and diluted (loss)/earnings per share *(HK cents)*	**(12.75)**	4.19	6.32	4.64

FINANCIAL SUMMARY

	Year ended 31 March			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	**123,026**	34,238	42,326	34,090
Goodwill	**406,699**	—	—	—
Finance lease receivables	**14,248**	—	—	—
Other deposits	**3,730**	3,650	3,572	3,491
	547,703	37,888	45,898	37,581
Current assets				
Inventories	**341,776**	—	—	—
Finance lease receivables	**9,080**	—	—	—
Trade and other receivables	**273,808**	69,693	61,844	53,377
Loan and interest receivables	**55,452**	213,479	—	—
Amounts due from a non-controlling shareholder of a subsidiary	**24,932**	—	—	—
Contract assets	**147,583**	—	—	—
Contingent consideration receivables	**35,463**	—	—	—
Gross amounts due from customers for contract work	**—**	125,329	104,931	52,500
Amounts due from shareholders	**—**	—	—	6,148
Current income tax recoverable	**8,880**	2,145	—	4,252
Cash and bank balances	**45,454**	21,828	105,740	67,744
	942,428	432,474	272,515	184,021
Total assets	**1,490,131**	470,362	318,413	221,602
EQUITY				
Capital and reserves				
Share capital	**9,178**	7,648	7,648	10
Reserves	**720,885**	222,937	190,911	84,827
Equity attributable to equity shareholders of the Company	**730,063**	—	—	—
Non-controlling interests	**23,472**	—	—	—
Total equity	**753,535**	230,585	198,559	84,837

FINANCIAL SUMMARY

	Year ended 31 March			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
LIABILITIES				
Non-current liabilities				
Borrowings	**15,784**	126,387	797	5,449
Deferred tax liabilities	**2,897**	4,622	4,672	3,922
	18,681	131,009	5,469	9,371
Current liabilities				
Trade and other payables	**276,383**	40,193	41,669	40,717
Gross amounts due to customers for contract work	**—**	37,778	50,640	36,386
Contract liabilities	**1,561**	—	—	—
Amount due to a former director	**30,000**	30,000	—	—
Amounts due to a shareholder	**3,150**	—	—	—
Amounts due to a director	**22,071**	—	—	—
Amounts due to a related party	**1,150**	—	—	—
Borrowings	**381,424**	797	21,957	50,291
Current income tax liabilities	**2,176**	—	119	—
	717,915	108,768	114,385	127,394
Total liabilities	**736,596**	239,777	119,854	136,765
Total equity and liabilities	**1,490,131**	470,362	318,413	221,602
Net current assets	**224,513**	323,706	158,130	56,627
Total assets less current liabilities	**777,216**	361,594	204,028	94,208