BEAVER GROUP (HOLDING) COMPANY LIMITED
永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8275

Annual Report 2019

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This report, for which the directors (the "**Directors**") of Beaver Group (Holding) Company Limited (the "**Company**" and together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Kwai Leung Stanley *(Chairman)*
Mr. Chui Koon Yau

Independent Non-executive Directors

Mr. Cheung Chung Chuen George
Mr. Law Ching Ning Paschal
Mr. Leung Wai Hung

BOARD COMMITTEES

Audit Committee

Mr. Leung Wai Hung *(Chairman)*
Mr. Cheung Chung Chuen George
Mr. Law Ching Ning Paschal

Remuneration Committee

Mr. Law Ching Ning Paschal *(Chairman)*
Mr. Cheung Chung Chuen George
Mr. Leung Wai Hung

Nomination Committee

Mr. Cheung Chung Chuen George *(Chairman)*
Mr. Law Ching Ning Paschal
Mr. Leung Wai Hung

COMPANY SECRETARY

Ms. Yim Sau Ping *(FCPA)*

AUTHORISED REPRESENTATIVES

Mr. Tang Kwai Leung Stanley
Ms. Yim Sau Ping *(FCPA)*

COMPLIANCE OFFICER

Mr. Tang Kwai Leung Stanley

COMPLIANCE ADVISER

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

INDEPENDENT AUDITOR

RSM Hong Kong
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAWS

T. S. Chu Lawyers
Room 1003, 10th Floor
Jubilee Centre
46 Gloucester Road
Wanchai, Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1815
Tsuen Wan Industrial Centre
220–248 Texaco Road
Tsuen Wan
Hong Kong[1]

Note 1: with effect from 1 June 2018, the head office and principal place of business in Hong Kong of the Company was changed from Unit 1503, 15th Floor, Peninsula Square, 18 Sung On Street, Hunghom, Kowloon, Hong Kong to Room 1815, Tsuen Wan Industrial Centre, 220–248 Texaco Road, Tsuen Wan, Hong Kong

PRINCIPAL BANKS

Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

8275

COMPANY'S WEBSITE

www.beavergroup.com.hk

TO OUR SHAREHOLDERS

On behalf of the board (the "**Board**") of Directors, I am pleased to present the annual report of the Group for the year ended 31 March 2019.

PROSPECT

As mentioned in last year's Chairman Statement, the foundation industry in Hong Kong is quite competitive with the profit margin being under a threat of deterioration in the next few years due to the following: (i) the increase in construction costs and labour costs; (ii) the approval progress of the infrastructure projects funding proposals of the Hong Kong Legislature and the Finance Committee of the Hong Kong Legislative Council remains slow; and (iii) the tender price is facing a downside risk in an excess supply.

In order to tackle with the challenges in the future, the Group will improve its operational efficiency and better the profitability of its business by implementing tightened cost control. The Group is also actively seeking potential business opportunities that can widen the income streams and increase the return of shareholders. The net proceeds from the Listing provide the Group with financial resources to implement its strategies and attract more business opportunities, which will further enhance the Group's market position in the market of foundation works and site formation projects and bored pile works. Therefore, the Board is cautiously optimistic about the business prospects of the Group.

In view that the Group has used exerted efforts to diversify the Group's income source and pursue more profitable foundation works, addition and alteration projects and leasing of machinery.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the management and staff of the Group for their hard work and dedication as well as to our shareholders and business partners for their continued support.

Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 24 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment for its construction of bored piles. The Group is also engaged in leasing of machinery.

For the year ended 31 March 2019, the Group recorded a net loss of approximately HK$2.4 million as compared to a net loss of approximately HK$14.5 million for the same year in 2018. The Directors are of the view that the net loss were primarily due to an allowance for impairment of financial assets of approximately HK$4.4 million made during the year. Setting aside the allowance for impairment of financial assets, the Group would record a net profit of approximately HK$2.0 million.

OUTLOOK

The shares of the Company were listed on GEM on 16 October 2017. The Group always strives to improve its operational efficiency and the profitability of its business. The Group will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders, such as leasing of machinery to improve its machinery utilisation. The net proceeds from the Listing thereby provided financial resources to the Group to meet and implement its business opportunities and strategies which will further strengthen the Group's market position in foundation and site formation works and bored piling works.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. The Directors believe the significant risks relating to the business are as follows:

– the Group determines project price based on the estimated time and costs involved in a project, which may deviate from actual time and costs incurred. Inaccurate estimation may adversely affect its financial results;

– the Group's foundation works are exposed to the risk of unexpected geological or sub-soil conditions;

– non-performance, delayed performance, sub-standard performance, non-compliance or unavailability of the Group's subcontractors may adversely affect its operation and profitability; and

– the Group's customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment will be paid to us on time and in full, or that retention money is fully released to us upon completion of a project.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in the prospectus of the Company dated 29 September 2017 (the "**Prospectus**").

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 March 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("**ESG**") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

The details of ESG performance of the Group are set out in the ESG Report on pages 32 to 53 of this annual report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

The Group maintains a good relationship with its employees, and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers, suppliers and subcontractors, without whom success in the Group's business and operation would be at risk.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2019 was approximately HK$152.5 million, representing an increase by approximately 24.0% from approximately HK$123.0 million for the year ended 31 March 2018, which was primarily attributable to the Group being engaged in larger-scale projects with a total contract sum over HK$20 million, which led a growth of HK$13 million for construction contract income and the Group has expanded its business in leasing of machinery, which generated revenue of approximately HK$17.9 million during the year.

Cost of sales

The Group's cost of sales for the year ended 31 March 2019 was approximately HK$138.7 million, representing an increase of approximately 18.6% from approximately HK$116.9 million for the year ended 31 March 2018, which was primarily due to an increase in direct costs, such as costs of construction materials as a result of the increasing construction activities undertaken by the Company together with implementation of tightened cost control during the year.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2019 were approximately HK$13.8 million, representing an increase of approximately 126.2% from approximately HK$6.1 million for the year ended 31 March 2018. The Group's gross profit margin increased from approximately 4.9% to 9.0% for the year of comparison.

Such increase was primarily contributed by one of the Group's projects undertaken during the year ended 31 March 2019 which was particularly profitable giving rise from the better-than-expected site condition.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2019 were approximately HK$14.2 million, representing a decreased of approximately 43.9% from approximately HK$25.3 million for the year ended 31 March 2018. Administrative expenses primarily consisted of staff costs, advisory fees, legal and professional fee and other administrative expenses. The decrease was mainly attributable to the decrease in non-recurring listing expenses of approximately HK$10.4 million comparing with the year ended 31 March 2018.

Loss for the year

For the year ended 31 March 2019, the Group recorded a loss attributable to owners of the Company of approximately HK$2.4 million as compared to loss attributable to owners of the Company for the year ended 31 March 2018 of approximately HK$14.5 million. The loss attributable to owners of the Company was mainly due to an allowance for impairment of financial assets of approximately HK$4.4 million made during the year. Setting aside the allowance for impairment of financial assets, the Group would record a net profit of approximately HK$2.0 million.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

There has been no change in the capital structure of the Group since the Listing Date. The capital of the Company only comprises ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank and other borrowings and equity contribution from shareholders.

As at 31 March 2019, the Group had bank and cash balances of approximately HK$15.3 million (2018: HK$20.1 million).

As at 31 March 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK$75.2 million (2018: HK$83.7 million). As of the same date, the Group's total debts, comprising bank and other borrowings and finance lease payables, amounted to approximately HK$28.4 million (2018: HK$27.5 million).

The Directors believe that the Group is in a healthy financial position to expand its business and pursue its business objectives.

BORROWINGS AND GEARING RATIO

As at 31 March 2019, the Group had total debts (summation of bank and other borrowings and finance lease payable) of approximately HK$28.4 million (2018: HK$27.5 million). The Group's bank and other borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2019, the gearing ratio of the Group, which was defined as the total debts divided by the total equity, was approximately 37.8% (2018: 32.9%).

FOREIGN EXCHANGE EXPOSURE

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions were denominated in Hong Kong dollars and Macau Patacas ("**MOP**"). Although it is currently permitted, the Group cannot assure that MOP will continue to be freely exchangeable into Hong Kong dollars. Also, as the currency market for MOP is relatively small and undeveloped, the Group's ability to convert large amounts of MOP into Hong Kong dollars over a relatively short period may be limited. As a result, the Group may experience difficulty in converting MOP into Hong Kong dollars for the revenue of the Group generated from those foundation contracts in Macau.

The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor closely the exchange rate between MOP and Hong Kong dollars and will make necessary hedging arrangements to minimise its foreign currency exposure arising from foreign currency fluctuation in the future.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CHARGE ON GROUP ASSETS

As at 31 March 2019, the Group has pledged its plant and machinery with an aggregate net book value of approximately HK$20.2 million (2018: HK$4.0 million) and a restricted bank deposits of approximately HK$Nil (2018: HK$3.0 million).

CONTINGENT LIABILITIES

As at 31 March 2019 and 2018, the Group were exposed to the liabilities under the Employees' Compensation Ordinance (Cap.282 of the Laws of Hong Kong) and common law for injuries at work in respect of all their employees. During the year, all the construction projects were covered by the employees' compensation insurance and contractors' all risks insurance taken out by the main contractors of the construction projects the Group participated in. Such insurance policies covered and protected all employees of the Group of all tiers working in the relevant construction sites. Other than that, the Group had no significant contingent liabilities.

COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2019 (2018: HK$Nil).

The Group is the lessee in respect of office premises, warehouses and car-parks under operating leases. As at 31 March 2019, the Group's total future minimum lease payment under non-cancellable operating leases were approximately HK$0.9 million (2018: HK$1.8 million).

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed in note 9 of the consolidated financial statements.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 31 March 2019, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures. There is no other plan for material investments or capital assets as at 31 March 2019.

INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group had 66 full-time employees working in Hong Kong (2018: 63). The total staff costs, including Directors' emoluments and mandatory provident fund contributions, of the Group were approximately HK$33.3 million for the year ended 31 March 2019 (2018: HK$28.8 million).

Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees.

Details of the Company's share option schemes (the "**Share Option Scheme**") is set out in note 31 to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2019. (2018: HK$Nil).

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus of the Company dated 29 September 2017 (the "**Prospectus**") and the announcement dated 10 September 2018 in relation to the change in use of proceeds ("the "**Announcement**") with the Group's actual business progress for the period from the Listing Date to 31 March 2019 is set out below:

Business strategies as stated in the Prospectus and the Announcement	**Business objectives up to 31 March 2019 as stated in the Prospectus and the Announcement**	**Actual business progress up to 31 March 2019**
Expansion of the Group's scope of services	Recruit 1 site agent, 1 quantity surveyor and 1 account manager, 2 site engineers and 2 assistant engineers to support the Group's increasing foundation project works and business growth, as well as to support the Group's quarterly reporting after the Listing	The Group has recruited 1 site agent, 1 quantity surveyor, 1 account manager, 2 site engineers and 2 assistant engineers to cope with the business development (note)
Expansion of the Group's capacity	Acquire 1 set of oscillator, 1 set of RCD rig and 1 set of piling machine with accessories	The Group has purchased 1 set of RCD rig, 1 set of oscillator and 1 set of piling machine with accessories (note)

Note: Save as disclosed in the Announcement, in view of the trend of private development programs and supported by the recently awarded contracts of the Group, the Directors anticipate that the demand for construction of small diameter pre-bored piles will increase in the coming future. Further, with the expansion of the Company's capacity and with the increasing numbers of project sites, the Directors consider that technical staff including site engineers and quantity surveyors become more essential to the Company's operational management team. Hence, in order to utilise the net proceeds from the Listing effectively, the Directors consider that it would be more suitable and practical for the Group to acquire one full set of piling machine with accessories which are used for construction of small diameter pre-bored piles and recruited additional technical staffs instead of acquiring one crawler crane to implement the expansion plans of the Company.

USE OF PROCEEDS

The net listing proceeds from the Listing received by the Company, after deducting underwriting fees and other related expenses, were approximately HK$28.4 million. These proceeds were applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the Announcement.

As at 31 March 2019, the net listing proceeds has been applied and utilised as follows:

	Planned use of net proceeds as stated in the Prospectus and the Announcement up to 31 March 2019 *(HK$ million)*	Actual use of proceeds up to 31 March 2019 *(HK$ million)*
Expansion of the Group's scope of services	4.3	4.3
Expansion of the Group's capacity	17.3	16.2
General working capital	2.7	2.7
Total	24.3	23.2

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 35 to the consolidated financial statements.

EXECUTIVE DIRECTORS

Mr. Tang Kwai Leung Stanley（湯桂良）

Mr. Tang Kwai Leung Stanley ("**Mr. Tang**"), aged 50, is the executive Director and chairman of the Board responsible for overseeing the corporate strategy, operational management of the Group, and a co-founder of the Group. Mr. Tang attended secondary school education in Hong Kong. Mr. Tang completed a construction safety supervisor course organised by the Construction Industry Training Authority in 1999. He also obtained a trade test certification card for piling operative (bored pile) issued by the Construction Industry Training Authority in 2002, a certificate of rigger & signaller safety training issued by the Hong Kong Safety Training Association in November 2008 and a certificate for operation of crawler-mounted mobile crane in May 2014.

Mr. Tang has approximately 21 years of experience in construction and foundation work industry. Before establishing Triangular Force Construction Engineering Limited ("**Triangular Force**") in 2008, he accumulated approximately 10 years of experience working for China Overseas (Hong Kong) Limited as a foreman for intermittent periods from October 1994 to December 2007, his last position as a general foreman. He also worked for Hsin Chong (Foundations) Limited as a site foreman from August 2000 to May 2001.

Mr. Chui Koon Yau（徐官有）

Mr. Chui Koon Yau ("**Mr. Chui**"), aged 52, is the executive Director, responsible for overseeing the operational management and quality control of projects of the Group, and a co-founder of the Group. Mr. Chui attended secondary school education in Hong Kong. Mr. Chui is a registered construction worker under to the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong). He obtained a trade test certification card for plant and equipment operator (bored pile) issued by the Construction Industry Training Authority in 2003 and a certificate for operation of crawler-mounted mobile crane in May 2014. Mr. Chui has also obtained several certificates on construction safety including the certificate of rigger & signaller safety training issued by the Hong Kong Safety Training Association in December 2008.

Mr. Chui has approximately 27 years of experience in construction and foundation work industry. Before establishing Triangular Force in 2008, Mr. Chui worked as a foreman and a crane operator from 1995 to 2000 for various construction or foundation companies. Mr. Chui then worked as a crane operator and a general foreman in Vibro Construction Company Limited from 2000 to 2005, and from 2005 to 2008, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chung Chuen George（張宗傳）

Mr. Cheung Chung Chuen George ("**Mr. Cheung**"), aged 45, was appointed as the independent non-executive Director on 22 September 2017. He is also the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the audit committee of the Company (the "**Audit Committee**") and remuneration committee of the Company (the "**Remuneration Committee**").

In November 1998, Mr. Cheung obtained a degree of bachelor of laws from City University of Hong Kong. He then obtained a postgraduate certificate in laws from the same university in July 1999. He was admitted as a solicitor of the High Court of Hong Kong in September 2001.

Mr. Cheung has approximately 17 years of experience in legal industry specialising in conveyancing. He worked in a number of law firms throughout the years. He worked for Ng & Shum Solicitors & Notaries in association with D&S Law Firm from August 2002 to January 2005, and Iu, Lai & Li Solicitors & Notaries from January 2005 to September 2006 as an assistant solicitor. He worked at Woo, Kwan, Lee & Lo from October 2006 to July 2008 as an assistant solicitor. Later on, he worked for Allen & Overy from July 2008 to April 2011, his last position held was a senior associate. Mr. Cheung then worked for Kao, Lee & Yip from April 2011 to February 2012, his last position held was an assistant solicitor. He subsequently joined T.K. Tsui & Co., Solicitors as assistant solicitor in May 2012, and was admitted as a partner in August 2012, he left the firm in March 2014. He has been a consultant of Cheung & Yeung, Solicitors from April 2014 to June 2017 and he joined Eversheds Legal Services (Hong Kong) Limited in June 2017.

Mr. Cheung was a tutor that provided conveyancing and probate practice for the postgraduate certificate in laws programme for the City University of Hong Kong from September to December 2007.

Mr. Law Ching Ning Paschal（羅政寧）

Mr. Law Ching Ning Paschal ("**Mr. Law**"), aged 49, was appointed as the independent non-executive Director on 22 September 2017. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Mr. Law obtained a degree of bachelor of science (architecture) and a degree of bachelor of architecture from The University of Sydney in June 1992 and in June 1995, respectively. Mr. Law is currently an authorised signatory of Law Chi Yip Construction Company Limited.

Mr. Law has approximately 21 years of experience in the architectural and construction industry. He worked for Law Chi Yip Construction Company Limited as an assistant manager in January 1997 and was promoted to a project manager in July 2000 and acted as the project-incharge for a number of projects from 2002 onwards. Mr. Law started working at LCY Design Limited as a director since December 1996.

Mr. Leung Wai Hung（梁偉雄）

Mr. Leung Wai Hung ("**Mr. Leung**"), aged 51, was appointed as the independent non-executive Director on 22 September 2017. He is also the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Mr. Leung has more than 20 years working experience in various listed companies in Hong Kong mainly engaged in property development including Cheung Kong (Holdings) Limited (now known as CK Hutchison Holdings Limited) (stock code: 001). Mr. Leung has much experience in real estate investment trust ("**REIT**"). He participated in the IPO setup of the first private sector REIT, Prosperity REIT (stock code: 808) in Hong Kong in 2005 and worked for the manager of Fortune REIT (stock code: 778) as a Finance Director from 2011 to 2012. Fortune REIT was dually listed in both Hong Kong and Singapore. Other than property development, he has also worked as the financial controller of Shougang Concord International Enterprises Company Limited (stock code: 697) ("**SCIECL**") from 2013 to 2018. SCIECL is a state-owned enterprise and a member of Shougang Group Co., Ltd, one of the top 10 steel producers in the world.

Mr. Leung also has extensive financial knowledge in initial public offering, merger and acquisition as well as fund raising and is familiar with the business environment of both Hong Kong and the Mainland China.

Mr. Leung is currently the financial controller of Crown International Corporation Limited (stock code: 727) and an independent non-executive director of Fineland Real Estate Services Group Limited (stock code: 8376).

Mr. Leung holds a Bachelor Degree of Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Au-Yeung Chi Kong（歐陽智剛）

Mr. Au-Yeung Chi Kong ("**Mr. Au-Yeung**"), aged 50, joined the Group in February 2016 as operation director (construction) and was appointed as general manager on 22 September 2017. He is currently responsible for the day to day management and safety of the projects of the Company. Mr. Au-Yeung obtained a higher diploma in civil engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in October 1992. He then obtained a degree of master of science in construction project management from the University of Greenwich in the United Kingdom in March 2003. He was admitted as an associate member of the Hong Kong Institution of Engineers in December 1997.

Mr. Au-Yeung has approximately 26 years of experience in engineering and construction project management. Prior to joining the Group, Mr. Au-Yeung worked as a project manager and a site agent for various projects under his employments with different companies. Mr. Au-Yeung first got into the industry in July 1992 through working for Goldford Engineering Limited as an assistant engineer. He worked there until September 1994, he then worked for Cleveland Structural Engineering (Hong Kong) Limited as a site engineer from September 1994 to March 1995. Later on, he worked for Kier-SFK Joint Venture as a site engineer from April 1995 to June 1996. He then worked for C M Wong & Associates Limited as a site engineer from July 1996 to June 1998. From June 1998 to October 2001, Mr. Au-Yeung worked for Gammon Construction Limited as a project engineer. He then worked for China State Construction Engineering Limited from November 2001 to October 2008, his last position held was a site agent. Later on, he worked for Chun Wo Foundations Limited as a site agent from October 2008 to January 2009 and China International Fund Limited as a project manager from February 2009 to January 2010. Prior to joining the Group, he served as a project manager in Bachy Soletanche Group Limited from January 2010 to February 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Jeff Tak Wai（劉德威）

Mr. Lau Jeff Tak Wai ("**Mr. Lau**"), aged 45, joined the Group on 15 August 2016 as a deputy general manager and was appointed as a general manager on 22 September 2017. He was responsible for the business development, tendering process and daily operation of the Group. He was appointed as a director of Triangular Force in August 2016 and is currently acting as the technical director and authorised signatory of Triangular Force under the Buildings Ordinance (Cap. 123).

Mr. Lau graduated with a degree of bachelor of engineering in civil engineering from the University of South Australia in May 1998 and subsequently obtained a degree of master of arts in transport policy and planning from The University of Hong Kong in December 2002 and a degree of master of business administration from The Chinese University of Hong Kong in December 2010. Mr. Lau is registered as a chartered professional engineer in the area of civil engineering in the National Engineering Register of Australia. He has also been elected as a member of The Institution of Engineers, Australia since November 2002 and a chartered member of The Chartered Institute of Logistics & Transport, Hong Kong since December 2002. Mr. Lau was elected as a chartered professional engineer member of The Institution of Engineers Australia in February 2013.

Mr. Lau has more than 20 years of extensive experience in civil and foundation engineering in Hong Kong. From January 1998 to October 1998, Mr. Lau worked for Proficiency Equipment Limited as a civil engineer. He then worked for Kowloon-Canton Railway Corporation from November 1998 to May 2000 as an engineering officer and has obtained a letter of commendation in recognition of his outstanding performance at work. From November 2000 to November 2001, Mr. Lau worked as a site engineer for Chun Wo—Henryvicy—China Railway Construction Corporation—Queensland Rail Joint Venture. He then went back to Kowloon-Canton Railway Corporation to work as an assistant engineer from December 2001 to December 2003. Mr. Lau worked for Chun Wo Construction & Engineering Co., Ltd ("**Chun Wo**"), a wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited (formerly known as Chun Wo Development Holdings Limited) (stock code: 711), as a senior engineer from May 2004 to May 2007. He then worked for Proficiency Net Limited as a marketing manager from May 2007 to February 2010. Mr. Lau then went back to Chun Wo during the period from May 2010 to July 2016, his last position held was the project manager of the company. He acted as the authorised signatory of Chun Wo Foundations Limited, another wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited, under the Buildings Ordinance (Cap. 123) from April 2016 to July 2016 and the authorised signatory for the Hong Kong Housing Authority foundation contract.

COMPANY SECRETARY

Ms. Yim Sau Ping（嚴秀屏）

Ms. Yim Sau Ping ("**Ms. Yim**"), aged 36, prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), now known as Boill Healthcare Holdings Limited, a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on GEM, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of seven companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017 respectively. She has accumulated more than 11 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Group is committed to achieving and maintaining high standards of corporate governance as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 March 2019, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Required Standard of Dealings**"). Following specific enquiries to all the Directors, each of them has confirmed that he has complied with the Required Standard of Dealing and there was no event of non-compliance throughout the year.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives. Executions of operational matters and the powers thereof are delegated to the management by the Board with clear directions. They report periodically their works and business decisions to the Board.

Board Composition

The composition of the Board as at this annual report is set out as follows:

Executive Directors

Mr. Tang Kwai Leung Stanley *(Chairman)*
Mr. Chui Koon Yau

Independent Non-executive Directors

Mr. Cheung Chung Chuen George
Mr. Law Ching Ning Paschal
Mr. Leung Wai Hung

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 13 to 17 of this annual report.

The proportion of which is higher than what is required by Rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role on the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director and each independent non-executive Director has entered into a service contract with the Company on 22 September 2017. The service contracts with the executive Directors and letters of appointment with the independent non-executive Directors are for an initial term of three years. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the articles of association of the Company and the applicable GEM Listing Rules.

According to Article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Articles 112 of the articles of association of the Company provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Mr. Tang and Mr. Cheung will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 22 August 2019. Each of them will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to proposed re-election of Mr. Tang as executive Director, Mr. Cheung as independent non-executive Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Tang is the chairman of the Board who is primarily responsible for managing the Board. Mr. Tang also chairs the Board meetings and briefs the Board members on the issue arising at the Board meetings. During the year ended 31 March 2019, the Company did not name any officer with the title "Chief executive officer". The Directors are supported by the senior management in the day-to-day management of the Group's business.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 31 March 2019, the Company has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established the Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.beavergroup.com.hk. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 22 September 2017. The chairman of the Remuneration Committee is Mr. Law, the independent non-executive Director, and other members included Mr. Cheung and Mr. Leung, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of the Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2019. No Director or any of his associates were involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 22 September 2017. The chairman of the Nomination Committee is Mr. Cheung, the independent non-executive Director, and other members include Mr. Law and Mr. Leung, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against an objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, the Board diversity is considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

AUDIT COMMITTEE

The Audit Committee was established on 22 September 2017. The chairman of the Audit Committee is Mr. Leung, the independent non-executive Director, and other members included Mr. Cheung and Mr. Law, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members of non-executive Directors only and the majority of the members of the Audit Committee being independent non-executive Directors and chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year, the Audit Committee held four meetings to review and comment on the company's 2019 annual results, 2018 interim results and quarterly results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. On 7 January 2019, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

Subsequent to the reporting period, one meeting of each Audit Committee, Nomination Committee, Remuneration Committee and the Board was held on 24 June 2019. The forthcoming annual general meeting will be held on 22 August 2019.

The information below are details of all Directors' attendance at the Board meeting and Board committees' meeting held for the year ended 31 March 2019:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2018 Annual General Meeting
		Number of Meetings Attended/Held			
Executive Directors					
Mr. Tang Kwai Leung Stanley	6/6				1/1
Mr. Chui Koon Yau	6/6				1/1
Independent non-executive Directors					
Mr. Cheung Chung Chuen George	6/6	4/4	1/1	1/1	1/1
Mr. Law Ching Ning Paschal	6/6	4/4	1/1	1/1	1/1
Mr. Leung Wai Hung	6/6	4/4	1/1	1/1	1/1

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company has engaged an external service provider, Ms. Yim as its Company Secretary. Ms. Yim possesses the necessary qualification and experience and is capable of performing the functions of the Company Secretary. Mr. Tang, the chairman and executive Director of the Company is the primary contact person who Ms. Yim contacts.

For the year ended 31 March 2019, Ms. Yim undertook no less than 15 hours of relevant professional training to develop her skills and knowledge. The biographical details of Ms. Yim is set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Monitoring and Reporting

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

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

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors of the Company. This also ensures that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

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

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximise shareholders' value.

Re-election of Director at General Meeting

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the Criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria.

The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Nomination Process

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

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

Review of Nomination Policy

The Nomination Committee will launch a formal process to review this Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Disclosure of Nomination Policy

A summary of the Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:–

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject to;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;

- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the memorandum and articles of association of the Company. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the Directors to be justified by the profits of the Company available for distribution.

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

AUDITOR'S REMUNERATION

RSM Hong Kong is appointed as the external auditor of the Company, the fee paid and payable in respect of audit services and non-audit services amounted to approximately HK$700,000 and HK$210,000 respectively for the year ended 31 March 2019.

SHAREHOLDERS' RIGHT

One of the measures to safeguard the shareholders' interest and rights is to separate resolutions proposed at the shareholders' meeting on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at the shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") pursuant to Article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Articles for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the Company at the principal office of the Company in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management systems. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders' and the Group's asset at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment are performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a Policy on Disclosure of Inside Information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- Define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Hong Kong Exchanges and Clearing Limited's website and the Company's website.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2019 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 March 2019 as required under CG Code C.2.5. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. The Audit Committee and the Board have considered the internal control review report prepared by an independent consultancy company and communicated with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a 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.

The Company has established several channels to communicate with the shareholders as follows:

(i) Corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website www.hkexnews.hk and the Company's website www.beavergroup.com.hk;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective website of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange view with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post the Company's principal place of business in Hong Kong.

There was no change to the Company's memorandum and articles of association during the year ended 31 March 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION OF REPORTING

The Group is one of the prominent foundation contractors in Hong Kong, especially in the realm of bored piling construction.

This Environmental, Social and Governance Report (the "**ESG Report**") summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainability development.

The Group adheres to the management policies of sustainable ESG development. We are also committed to handling the Group's ESG affairs effectively and responsibly, which is integrated as one of the core components of our business strategy as we believe this is the key to our continuous success in the future.

The ESG Governance Structure

The Group has established the ESG Taskforce (the "**Taskforce**"). The Taskforce comprises core members from different departments and is responsible for collecting relevant information on our ESG aspects for preparing the ESG Report. The Taskforce reports to the Board, assists in identifying and evaluating the Group's ESG risks and the effectiveness of the internal control mechanisms. The Taskforce also examines and evaluates our performances in different aspects such as environment, health and safety, labour standards and product responsibilities in the ESG aspects. The Board sets up a general direction for the Group's ESG strategies, ensuring the effectiveness in the control of ESG risks and internal control mechanisms. The Group continues to review the effectiveness of the internal control system on an annual basis.

SCOPE OF REPORTING

The Group conducts a top-down management approach regarding our ESG issues. The Board oversees and sets out ESG strategy for the Group. It is also responsible for ensuring the effectiveness of the Group's risk management and internal controls.

This ESG Report covers the Group's business activities in the realm of bored piling construction in Hong Kong and Macau. The ESG key performance indicator ("**KPI**") data is gathered and included under the Group's direct operational control companies and subsidiaries. The Group will extend the scope of disclosures when and where applicable. The KPIs are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") contained in Appendix 20 of the GEM Listing Rules of the Stock Exchange.

For the Group's corporate governance practices, please refer to pages 18 to 31 for the section "Corporate Governance Report" contained in this annual report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2019 ("**FY2019**").

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views related to its business and ESG issues. In order to understand and address stakeholders' concerns, we communicate with our key stakeholders, including but not limited to employees, investors, customers, suppliers or subcontractors, government bodies and communities through different channels such as conferences and electronic platforms. In formulating operational strategies and ESG measures, we take into account stakeholders' expectations and strive to improve our performance through mutual cooperation to create greater value for the society.

Stakeholders	Expectations and Concerns	Communication Channels
Shareholders and investors	• Return on investment • Corporate governance • Business compliance • Protect the voting rights of shareholders and investors • Director appointment	• Annual reports, interim reports and quarterly reports • Announcements and circulars • Company's website • Hong Kong Share Registrar
Customers and business partners	• High quality products and services • Protect the rights of customers	• Customer satisfaction survey • Face-to-face meetings and on-site visits • Customer service hotline and email
Employees	• Employees' compensation and benefits • Career development • Health and safety working environment	• Trainings, seminars and briefing sessions • Regular performance reviews • Emails, notice boards, hotline, caring activities with management
Suppliers and subcontractors	• Supplier appointment • Sustainable supply chain	• Open tendering • Suppliers' satisfactory assessment • Face-to-face meetings and on-site visits • Industry seminars
Regulatory bodies and government authorities	• Compliance with laws and regulations • Support economic development	• Supervision on complying with local laws and regulations
Media, NGO and the public	• Involvement in communities • Business compliance • Environmental protection awareness	• Media conferences and responses to enquiries • Public welfare activities • ESG Report

MATERIALITY ASSESSMENT

The management and staff of the Group's respective major operations have participated in the preparation of the ESG Report to assist the Group in reviewing our operations and identifying relevant ESG issues and assess the importance of related matters to our businesses and stakeholders. Based on the assessed significant ESG issues, a data collection questionnaire was prepared to collect information from relevant departments and business units of the Group.

The following table is a summary of the Group's material ESG issues included in this ESG report:

Air and GHG Emissions	Paper Management
Energy Management	Recruitment and Promotion
Occupational Health and Safety Management	Safety Management
Occupational Safety and Health Training	Community Investments

During the year ended 31 March 2019, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

The Group is committed to the long-term sustainability of the environment and community where it operates. The Group is prudent in controlling its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in Hong Kong during its daily operations. The office and all construction sites of the Group have implemented effective energy conservation measures to reduce emissions and resource consumption.

In order to enhance our environmental governance practice and mitigate the environmental impact produced by the Group's operations, we have adopted and implemented relevant environmental principles and have communicated such principles to our employees. These principles strengthen the waste management of "reduce", "reuse", "recycle" and "replace" as well as emission mitigation principle, with an objective of minimising the adverse environmental impacts and ensure the waste disposal or emission generated is conducted in an environmentally responsible manner.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2019.

The Group has not identified any material non-compliance of environmental laws and regulations, including but not limited to the Air Pollution Control Ordinance, Waste Disposal Ordinance and Environmental Impact Assessment Ordinance in Hong Kong, Macau Environmental Law (2/91/M), Decree Law no. 54/94/M in Macau, and Decree Law no. 46/96/M in Macau in FY2019.

Air and GHG Emissions

Air Emissions

The Group generates the air emission from fuel combustion process of machineries and equipment at construction sites which are very limited and insignificant, therefore we consider it is immaterial to the Group. Nevertheless, the Group actively adopts mitigation measures as well as other measures to reduce air emissions as much as possible, including:

- Wet by water spraying on dusty areas, such as stockpile of dusty materials, demolition work, excavation or earth moving activities are carried out and when loading and unloading;

- Provide effective dust screens, sheeting or netting to enclose any scaffolding built around the perimeter of a building;

- Cover or shelter any stockpile of dusty materials; and

- Covered and secured all loads on vehicles before leaving the site.

The employee's awareness of reducing air emissions has been increased through these air emissions mitigation measures.

GHG Emissions

As a foundation contactor in the realm of bored pilling construction, the Group's daily operation has limited impact on the environment while its emissions are limited to air and GHG emissions, non-hazardous waste (i.e. solid waste), waste water and noise, which mainly come from the use of resources in the office and construction projects in the construction sites in Hong Kong. Nevertheless, the Group still focuses on nurturing and strengthening the employees' awareness of environmental protection in their daily work process, and actively implements the Group's environmental protection measures, with an aim to lowering the emission of air and GHG, and reducing the emissions of non-hazardous wastes.

The principal GHG emissions of the Group are generated from the gasoline and diesel consumed by private cars, light and heavy vehicles (Scope 1) and electricity (Scope 2) by power machines for operation and transportation purposes. The Group actively adopts electricity conservation and energy saving measures as well as other measures to reduce air and GHG emissions, including:

- Actively adopt measures for environmental protection, energy conservation, and water saving. Relevant measures are described in "Electricity Management" and "Energy Management" under Section A2;

- Actively adopt measures for noise reduction in construction sites. Relevant measures are described in "Noise Management" under Section A3; and

- Actively adopt paper saving measures in office. The relevant measures are described in the section "Paper Management" in this section.

In FY2019, the total GHG emissions resulting from Scope 1 and Scope 2 aspects by the Group and the intensity are as follows:

Indicator Note 1	Unit	2019	2018
Direct GHG emissions (Scope 1) – Gasoline and Diesel	tCO_2e	**2,863.79**	3,436.39
Indirect GHG emissions (Scope 2) – Electricity	tCO_2e	**4.22**	4.06
Total GHG emissions (Scope 1 and Scope 2)	tCO_2e	**2,868.01**	3,440.45
Intensity (Total) Note 2	tCO_2e/employee	**43.45**	53.76

Notes:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released emission factors of CLP, "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, "Global Warming Potential Values" from IPCC Fifth Assessment Report, 2014 (AR5).

2. As at 31 March 2019, the Group had 66 full-time employees in total. The data is also used for calculating other intensity data.

As a result, GHG emissions was decreased of 572.44tCO_2e or 16.64% from 3,440.45tCO_2e in the year ended 31 March 2018 ("**FY2018**") to 2,868.01tCO_2e in FY2019. It mainly represents the fuel consumption of the leasing machineries was borne by the lessors under finance lease. Also, some projects were sub-contracted out and the fuel consumption was borne by the sub-contractors.

Waste Management

Hazardous waste handling method

Due to the Group's business nature, the Group did not generate hazardous wastes in FY2019, the Group has established guidelines of governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group must engage a certified waste collector to handle such wastes, which is complied with the Waste Disposal Ordinance.

Non-hazardous waste handling method

The Group's relevant environmental procedures emphasis carbon reduction and waste reduction with the principle of "Reduce, Reuse and Recycle" to promote better utilisation of environmental resources. The Group is committed to promoting an environmentally friendly mindset among its employees.

With the aim of minimising the environmental impact of generating non-hazardous wastes from its construction process, the Group has implemented measures to handle such wastes and launched different reduction initiatives both in the bored pile construction and office.

Bored Pile Construction Business

The bored pile construction business generates excess mud in its daily operations. The Group has complied with the Waste Disposal Ordinance when disposing excess mud and other construction wastes. Certified waste collector would transport the mud and other construction wastes (e.g. gravels) to specific landfills for disposal or other construction sites for reuse. Certain land excavation waste is directly transported to backfill where in need. The recyclable wastes are normally collected altogether and then transferred to recycling station for reuse.

Office

The solid waste generated by the Group in offices is mainly domestic solid waste from staff. To efficiently manage the waste, the Group uses centralised garbage can for collection of waste, which will then be handled by the property management of the building, and finally disposed by specific municipal department.

The Group is committed to environmental protection in offices. In order to reduce the amount of municipal solid waste generated every day, the Group has implemented the following practices:

- Recycle as much solid waste as possible through classification process;
- Educate all employees on reducing the use of disposable items such as plastic tableware;
- Purchase microwaves in offices to encourage employees to take lunch boxes by themselves instead of ordering takeaway food, which could largely reduce the waste of food packages;
- Advocate the reusing of office stationeries; and
- Provide glass cups to clients and guests instead of disposable ones.

The summary of major non-hazardous wastes discharge performance:

Category of waste	Unit	2019	2018
Solid waste	tonnes	12,941.80	21,032.00
Solid waste intensity	tonnes/employee	196.09	328.63

As a result, non-hazardous waste discharge was decreased of 8,090.20 tonnes or 38.47% from 21,032 tonnes in FY2018 to 12,941.80 tonnes in FY2019. It mainly represents the Group had a subcontract of excavation work in FY2018 and the significant amount of solid waste was incurred. Hence, there was a significant decrease of solid waste in FY2019.

Paper Management

Office

One of the main natural resources consumed by the Group is paper from its office printing machines. To minimise the use of paper, the Group has put great efforts into the implementation of following policies:

- Choose suppliers with more environmentally friendly paper source, so as to indirectly reduce the amount of tree losses while consuming the same amount of paper;
- Promote paperless office, and disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Disseminate the idea of “Think before print” by using posters and stickers in offices to remind the staff of avoiding unnecessary printings;

- Reconsider boxes and trays as containers beside photocopier to collect single-sided paper for reuse and recycling;
- Use the back of old single-sided documents for printing or as draft paper; and
- Recycle used stationery whenever possible.

The summary of paper consumption performance:

Category of waste	Unit	2019	2018
Paper	kg	8,705.00	8,410.00
Paper intensity	kg/employee	131.89	131.41

The employee's awareness of reducing paper usage has been increased due to the paper consumption was remained stable in the acceptable level through these paper-saving measures.

Wastewater Management

Bored Pile Construction Business

The bored piling construction business generates boring and drilling sewage. The Group deploys wastewater treatment facilities on site to treat the sewage and makes sure it meets the conditions of Water Pollution Control Ordinance (WPCO) license prior to discharging process. Also, experimental tests on chemical properties such as pH levels are conducted to ensure that the discharging wastewater meets the required criteria. Specifically, to lower the wastewater impact on the environment, especially the quality of ocean and its biodiversity, a sedimentation tank for wastewater treatment has been set up to treat the muddy water from boring and drilling process, during which chemicals such as coagulant has been adopted to enhance sedimentation efficiency. The Group has been licensed for the discharge of wastewater from construction site to the natural water bodies and all discharges have been strictly monitored and controlled in order to comply with the terms and conditions of a valid Water Pollution Control Ordinance (WPCO) licence.

Office

The Group has generated immaterial amount of domestic wastewater in the office. The wastewater is directly discharged into the building sewerage network and handled by the property management of the building. Since the amount of wastewater generated highly depends on the amount of water used, the Group has adopted specific measures, further described in the next subsection under Water, to reduce its water consumption.

The summary of wastewater discharge performance:

Wastewater	Unit	2019	2018
Wastewater	tonnes	35,770	54,139
Wastewater intensity	tonnes/employee	541.97	845.92

The decrease in wastewater of 18,369 tonnes or 33.93% from 54,139 tonnes in FY2018 to 35,770 tonnes in FY2019. The decrease was due to more construction projects were outsourced to main contractors in FY2019 and the wastewater management was borne by the main contractors.

A2. Use of Resources

General Disclosure and KPIs

The Group continues with the initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business operations.

During the operations, the Group mainly generates electricity, gasoline, diesel, acetylene, water, paper and raw materials. As mentioned in Section A1, the Group has adopted related environmental protection, energy conservation and water saving measures on resource usages such as water, electricity and energy.

Electricity Management

Bored Pile Construction Business

The electricity consumption of bored pile construction business mainly comes from the operation of electrical equipment and device at construction sites. All construction sites of the Group stringently have complied with relevant regulations and the Group's policy of saving electricity. To ensure effective use of electricity, the Group has conducted the following practices:

- Turn off all lights, electronics and other power consumption equipment at the end of the day;
- Switch off all idle lights and air conditioners (e.g. most electrical equipment will be turned off during lunch time);
- Place "Save electricity and turn off the light when you leave please" posters to encourage workers to conserve energy;
- Replace high electricity consumption lamps with efficient lamps for office lighting;
- Install timers connecting all the electrical equipment in the public area, in order to turn off all the equipment at certain period altogether; and
- Clean office equipment at construction sites (such as air conditioner and paper shredder) regularly to maintain high efficiency.

Office

To greatly mitigate the consumption of electricity so as to help diminish its GHG emissions, the Group has embedded the mindset of "Saving Electricity" into its business strategy and particularly implemented the following practices:

- Switch off all idle lights and air conditioners;
- Place "Save electricity and turn off the light when you leave please" posters to encourage workers to conserve energy;
- Replace lamps that consume large amounts of electricity with more efficient LED bulbs for office lighting;
- Regulate the staffs to turn off all laptops and computers after work;
- Clean office equipment (such as refrigerator, air conditioner, paper shredder) regularly to maintain high efficiency; and
- Encourage all employees to open curtains and utilize the natural sunlight for lighting in the office when possible.

As a result, the employees' awareness of electricity conservation has been increased through these energy-saving measures.

Energy Management

Bored Pile Construction Business

The bored pile construction business consumes gasoline and diesel for its vehicles and machineries. The Group is committed to reducing the use of fossil fuel for transportation purpose. The Group encourages its employees to take public transports instead of driving to work, and utilises the electronic device for e-meetings to avoid unnecessary travelling. Most importantly, the Group has purchased and adopted machineries that are approved with the Green Label by Environmental Protection Department of Hong Kong under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

The relevant measures are as follows:

- Compares and prioritises its selection of piling machines and other machineries for foundation works in terms of their energy consumption, air and GHG emissions;
- Complies with relevant environmental regulations set out by Environmental Protection Department of the Government of Hong Kong Special Administration Region, such as non-road mobile machineries "NRMMs";
- Encourages its employees to take public transport in order to reduce the individual footprint and corporate carbon emissions; and
- Cultivates the good habits of diligence and frugality in terms of the use of natural resources among its employees through poster education and regular lectures.

Office

The office of the Group mainly consumes electricity, water and paper for its daily operations. Similar to the bored pile construction business, the staff in the office is also committed to conserving the energy, water resources and materials as much as possible by taking effective steps from various aspects.

In FY2019, the energy consumption of the Group and its intensity were as follows:

Type of energy	Unit	2019	2018
Gasoline	litres	62,097.00	64,550.00
Gasoline Intensity	litres/employee	940.86	1,008.59
Diesel	litres	1,025,225.00	1,187,340.00
Diesel Intensity	litres/employee	15,533.71	18,552.19
Electricity	kWh	8,270.00	7,515.00
Electricity Intensity	kWh/employee	125.30	117.42
Acetylene	Tonnes	4.89	17.50
Acetylene Intensity	Tonnes/employee	0.07	0.27

Notes:

3. Conversion is in reference to the conversion provided on U.S. Energy Information Administration Energy Conversion Calculators, the gasoline consumption was equivalent to 578,535.28 kWh.

4. Conversion is in reference to the conversion provided on U.S. Energy Information Administration Energy Conversion Calculators, the diesel consumption was equivalent to 10,904,832.90 kWh.

As a result, the fuel consumption was decreased in FY2019 represented by:

a) The gasoline consumption was decreased of 2,453 litres or 3.80% from 64,550 litres in FY2018 to 62,097 litres in FY2019;

b) The diesel consumption was decreased of 162,115 litres or 13.65% from 1,187,340 litres in FY2018 to 1,025,225 litres in FY2019; and

c) The acetylene consumption was significantly deceased by 12.61 tonnes or 72.06% from 17.50 tonnes in FY2018 to 4.89 tonnes in FY2019. The decreased in amount was due to the decrease in the number of welding projects.

Water Management

Bored Pile Construction Business

The construction business segment pays great attention to water conservation in the daily operation and in FY2019, the Group did not face any problem in sourcing water. Specifically, the Group often organises formal meetings delving into more advanced and effective ways of saving water in all construction sites. Moreover, all construction sites are incentivised to reuse the wastewater as much as possible. To further improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- Place “Saving Water Resource” posters in prominent places to encourage water conservation;
- Fix dripping taps immediately and avoid further leakage of the water supply system;
- Shut off the water supply system at night and during holidays;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Require employees to strictly comply with company’s water saving policy; and
- Advocate the importance of saving water among employees.

Office

The employees in the office also put great emphasis on water conservation. Apart from regular seminars on water preservation for staffs, the Group encourages everyone working in the office to reduce the amount of flushing water in a proper way. The Group strives to gradually instill the principle of “Saving Water” to every employee during their daily lives and work.

In FY2019, the water consumption of the Group and its intensity were as follows:

Type of resource	Unit	2019	2018
Water	m^3	47,374.60	62,871.00
Water intensity	m^3/employee	717.80	982.36

The significant decrease in water consumption by 15,496.40m^3 or 24.65% from 62,871m^3 in FY2018 to 47,374.60m^3 in FY2019. It is because some of the Group's subcontracts do not require to provide fresh water supply from Water Supplies Department. The water supply is borne by the main contractors.

Use of Packaging Material

Due to our business nature, the Group does not produce significant amount of packaging materials during its daily operations.

A3. The Environment and Natural Resources

General Disclosure and KPIs

The core business of the Group has limited impact on the environment and natural resources due to its unremitting efforts to create a resource-saving and environmentally friendly corporation. The emissions of air and GHG, solid waste, wastewater and noise are all in conformity with related environmental laws and regulations. To further eliminate its possible impact on the environment, the Group has implemented more innovative and effective environmental measures in daily operations.

Consumption of Natural Resources

Due to our business nature, it is inevitable to consume natural resources. The Group strives to utilise resources effectively and minimise the potential environmental impacts resulted from resource consumption.

In FY2019, the total resource consumption of the Group and its intensity were as follows:

Type of resource	Unit	2019	2018
Steel	tonnes	1,036.60	1,540.00
Steel intensity	tonnes/employee	15.71	24.06
Concrete	tonnes	2,276.99	485.00
Concrete intensity	tonnes/employee	34.50	7.58

The significant increase in concrete of 1,791.99 tonnes or 369.48% from 485 tonnes in FY2018 to 2,276.99 tonnes in FY2019. It is mainly due to more steps were required for stone pillar projects according to new operation procedures so more concrete was consumed in FY2019.

Noise Management

Noise generated by the Group mainly comes from the operation of machineries and equipment during bored pile construction process. The Group is in strict compliance with the Noise Control Ordinance and only uses certain equipment within the permitted time period. The Group has installed noise reducing facilities to mitigate the effect of noise to the surroundings. For instance, the construction noise barrier is widely adopted in the construction site to reduce the noise in an effective way. To further control the source of noise, the group purchases the equipment with QPME Label, which benchmarks construction equipment items that are new, notably quieter, more environmentally friendly and efficient.

B. SOCIAL

B1. Employment

General Disclosure

The Group treasures employee's talent and sees it as the key in driving the success and maintaining the sustainable development of the Group. The Group strives to provide its employees with a safe and suitable platform for developing their career, professionalism and advancement.

The staff handbook of the Group strictly adhere to the applicable employment laws and regulations, including but not limited to the Employment Ordinance and Employees' Compensation Ordinance in Hong Kong, and Macau Labour Regulations Law. The human resources department (the "**Human Resources Department**") of the Group and its subsidiaries are responsible for reviewing and updating the relevant company policies on a regular basis in accordance with the latest laws and regulations.

In FY2019, the Group has not identified any material non-compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits, including but not limited to Employment Ordinance and Employees' Compensation Ordinance that have a significant impact on the Group.

Recruitment and Promotion

The Group adopts a set of transparent and clear procedures to conduct its annual recruitment plan, aiming to live up to "Openness, Fairness, Transparency, Standardisation" in every detail. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspirations. The Group also references market benchmarks in determining its remuneration and benefit policies. As talent retention is vital to the sustainable business development, the Group constantly reviews its compensation packages and performs probationary and regular evaluations on the employee's capability and performance in the past. This ensures that all employees can be recognised by the Group appropriately with respect to their efforts and contributions.

Compensation and Dismissal

Any appointment, promotion or termination of recruitment contract should be based on reasonable, lawful grounds and internal policies, such as Staff Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have poor working performance or constantly make mistakes, the Group would warn verbally before issuing a warning letter. For those who remain untamed despite making the same mistakes repeatedly, the Group would dismiss the person according to relevant laws in Hong Kong and Macau.

Working Hours and Rest Periods

The Group has formulated its policy based on local employment laws for determining enough working hours and rest time for employees. Specifically, the Group has installed the attendance management system that keeps monitoring its employee's working hours, and compensate those who work overtime with overtime pay or additional days off. In addition to basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, employees are also entitled to additional leave benefits such as marriage leave, maternity leave and compassionate leave.

Equal Opportunity and Anti-discrimination

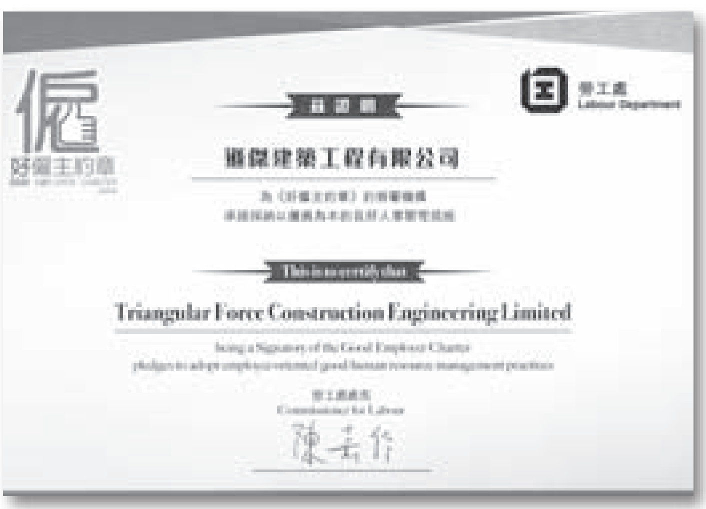
The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. The Group has published an employee handbook outlining the terms and conditions of employment, expectation for employees' conducts and behaviours, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace. With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace in any form including but not limited to Disability Discrimination Ordinance and Sex Discrimination Ordinance.

Other Benefits and Welfare

The Group provides employment injury insurance for its employees. In addition, the Group provides travelling benefits for its employees and their families. Other benefits provided by the Group include fitness subsidy for employees to work out in the gym, and examination subsidy and vacation for external training. During some traditional Chinese festivals, employees may also receive extra bonuses and gifts. The Group firmly believes that the sense of belonging is what allows employees to feel like they can be their authentic selves, and fostering this sense of belonging for employees will bring the Group a long-term competitiveness and success. Apart from that, the recreational committee established by the Group will organise special events for employees on a regular basis. In FY2019, the Group organised annual dinner and other activities for all the employees to celebrate festive events like Christmas and enjoy the exciting moment.

As a construction contractor, the Group puts its employees in the first place, and is always dedicated to adopt employee-oriented good human resource management practices, which, in turn, has brought the Group an award, authentication and recognition in the construction industry.

In FY2019, the Group was awarded as Good Employer Charter by Labour Department certifying the Group has pledged to adopt employee-oriented good human resource management practices:



B2. Health and Safety

General Disclosure

The Group believes that health and safety at work involves both the prevention of harm, and the promotion of employees' well-being. To provide and maintain a safe, clean and environmentally-friendly working condition for employees, the Group has established strict safety and health policies, such as general safety rules, which are in line with relevant laws and regulations, including but not limited to the Occupational Safety and Health Ordinance in Hong Kong; and in Macau, the General Construction Works Regulation, Fire Safety Regulation, Foundation Works Regulation, Rules provided under the General Regulation of Work Safety and Hygiene of Offices, and Services and Commercial Establishments, Decree Law no. 44/91/M (General Regulation of Working Safety and Hygiene in the Construction Industry in Macau) and Decree Law no. 34/93/M (Legal Regime of Noise at Work in Macau).

The Group has formulated a full set of monitoring and management policies regarding health and safety according to OHSAS 18001. Specifically, project supervisors, engineers, managers and safety officers are responsible for conducting relevant risk assessment before construction, and need to implement measures strictly during construction process. Also, the corporate Occupational Safety and Health Policy came into effect in 2016, which outlined the basic principles of the Group's practice to ensure health and safety in the construction site. Furthermore, the safety review officer conducts Safety and Health Review for the Group twice a year, checking the effectiveness and reliability of the Safety Management System being perfectly implemented on the project from different perspectives.

In FY2019, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not limited to the Occupational Safety and Health Ordinance that would have a significant impact on the Group.

Safety Measures

The Group posts relevant warning labels and public memorandum regarding onsite health and safety at construction sites. Also, the Group prohibits smoking and liquor drinking at the workplace. To provide a secure working environment for employees, the Group provides suitable personal protective equipment ("**PPE**"), such as helmets, safety ropes, gloves, etc. to its workers on site. A weekly audit for health and safety at construction sites are carried out on a regular basis and relevant safety training courses are provided for workers and subcontractors as well as the subcontractors employees, such as Emergency Management and Safe Operation.

Emergencies Reporting Mechanism

The Group puts great efforts in health and safety affairs at construction sites by implementing relevant corporate policies. Specifically, apart from a full set of PPE provided to every worker, the Group has a sound reporting mechanism to deal with various emergencies and equipment malfunction. Safety officers are required to make an inspection tour every three months in order to make sure that the operation in the construction site is fully compliant with relevant standards, policies and laws.

Occupational Safety and Health Training

To guarantee that all workers and contractors attend compulsory safety trainings, the Group assigns project managers to check the attendance. Since the Labour Department strictly regulates that only persons who have been trained in basic safety courses and hold valid certificates (commonly known as "Green Card") are allowed to be employed for the Group's construction operations, project managers are responsible to make sure that all workers and skilled operators hold legal licenses, which the Group believes is a fundamental step to minimise risks and prevent accidents in the workplace.

B3. Development and Training

General Disclosure

Training and Development Management

The Group has formulated a set of internal regulations and policies such as staff training guidelines, induction training materials, and toolbox training record, for strengthening the working skills and knowledge of its employees, who are expected to achieve better working performance after receiving work-related trainings. The Group also offers a complete training package to all new employees, such as Group's corporate culture, business processes, health and safety, first aid treatment and other specific topics. Notably, the syllabus provided to new hires is comprehensive, which covers general duties of employees, personal safety, personal protective equipment, incident and accident report, the handling procedure of electricity, portable electric tools and hand tools, and so on. As for the existing employees, non-scheduled profession-oriented courses are offered according to the corporate needs. Through the offering of different types of trainings, the Group tries to make sure that all its employees possess the necessary professional knowledge to complete their daily tasks, and help them fulfil the continuous training hour requirement for annual professional qualifications as well.

To further enhance the professional skills of its employees and meet the needs of the Group's development goal, signing up for professional qualifications examinations and external trainings is highly encouraged and promoted. Employees who take the professional qualification examinations and obtain vocational qualification certificates could receive a reimbursement from the Group. Meanwhile, the Group also invites external organisations and experts to give relevant trainings to its employees. The training content covers a variety of topics, including accounting, regulatory affairs, finance, and construction engineering. In FY2019, the total amount of time spent by an individual employee on trainings was 80 hours on average.

B4. Labour Standards

General Disclosure

Prevention of Child Labour and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as defined by Employment Ordinance in Hong Kong, and Macau Labour Regulations Law. The Human Resources Department also ensures identity documents are carefully checked to ensure that applicants are lawfully employable. Furthermore, the Human Resources Department is also responsible to monitor and guarantee the compliance by the Group with the relevant laws and regulations that prohibit child labour and forced labour employment.

In FY2019, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations including but not limited to Employment Ordinance that would have a significant impact on the Group.

B5. Supply Chain Management

General Disclosure

As an enterprise that bases its basic principle on sustainable development while fulfilling social responsibilities, it is critical for the Group to maintain and manage a reliable supply chain that takes environmental and societal impact into consideration, which requires an efficient and strict monitoring regime on supply chain practices.

Supply Chain Management Structure

In order to ensure that the suppliers and sub-contractors have met customers' and the Group's requirements regarding quality, environmental and safety standards, the Group has formulated standards and stringent procedures in selecting suppliers and sub-contractors. Suppliers' and contractors' environmental and social performances are considered as selection criterions for establishing long-term relationship. The project directors maintain an approved list of suppliers and subcontractors. Assessments are carried out on the suppliers and subcontractors by the project directors and managing director on a regular basis. The materials purchased from suppliers and works performed by subcontractors will be checked and monitored on a regular basis. Suppliers or sub-contractors may be suspended or removed from the approved list if they fail to fulfil the Group's standards. The supplier relationship may also be terminated in the event of any substantial violation of environmental and labour laws and regulations. The performance of suppliers is examined on a regular basis.

B6. Product Responsibility

General Disclosure

With regard to the Group's product health and safety, advertising, labelling and privacy matters, the Group is in strict compliance with relevant rules and regulations stipulated by the government of Hong Kong and the government of Macau. The Group has also established internal quality management system according to the standard of ISO 9001. Specifically, once the quality control department receives complaints, they will confirm, analyse and prioritise the issues in terms of their materiality and severity. The complaints received by the Group are mainly deferred payment and slight damage to leased machineries. The Group will negotiate with the relevant companies, deal with the complains according the contract immediately, and finally solve the problem in a way that satisfies each party. By dealing with the substantiated complaints in such strict procedure, the Group could considerably strengthen its ability of confronting such kind of complaint in the future, strive to prevent similar situation from occurring again, and consequently stay competitive in the market.

In FY2019, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services including but not limited to Personal Data (Privacy) Ordinance.

Quality Management System

In addition, the Group rigorously sticks to the instructions of the Quality Management Systems Standard (ISO 9001:2008) and Occupational Health and Safety Management (OHSAS 18001:2007), and follows the Site Safety Handbook published by Hong Kong Housing Authority during its construction operations, striving for zero accidents of all persons involved in foundation works.

Customer Privacy Protection

The Group places great emphasis on the privacy protection of its customers and ensures that all customers' rights are protected in accordance with the Personal Data (Privacy) Ordinance, the Corporate Finance Consultant Code of Conduct and other local regulations in terms of consumer data policy. It is included in the Group's policy that all information collected would only be used for the purpose authorised by customers in the first place. The Group prohibits the provision of consumer information to a third party without authorisation from the customers. All collected personal data is treated confidentially, kept securely, and accessible by designated personnel only. Moreover, the information technology department has set obstruction between office and commercial net to prevent unauthorised data use, exportation and copy. Through the internal training and confidential agreements with employees, the Group emphasises confidentiality obligations and the legal consequences of the breaches of obligations.

Intellectual Property Rights

In terms of protecting the Group's intellectual property rights, the Group has adopted policies with examples shown below:

- The documentation rooms with commercial secrets are listed as confidential areas and isolated from the general area of operation, where non-related personnel cannot access;

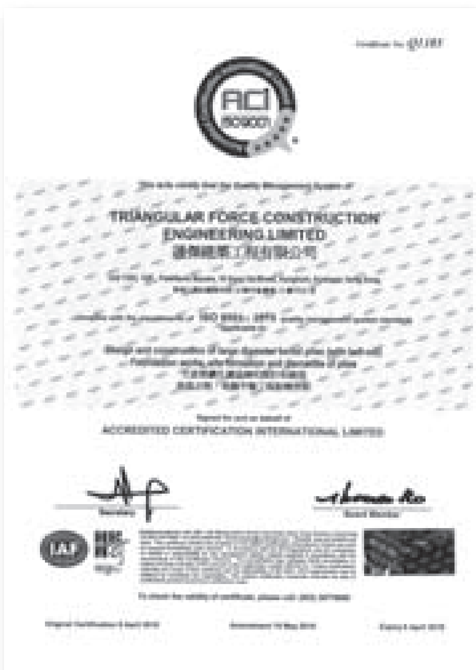
- In the employment contract agreement, it has been agreed upon that when the personnel with significant influence over the company's technical and economic rights and interests leaves the Group, he or she shall not operate or uphold any business that competes with the Group for a certain period; and

- When entering into a commercial contract for external business activities, the Group would request a confidential agreement with other enterprises if necessary.

As a construction contractor, the Group puts its product and service responsibility in the first place, and is always dedicated to providing high-quality and reliable service, which, in turn, has brought the Group a number of awards, authentication and recognition in the construction industry.

Advertising and Labelling

The Group encourages the use of better promotion practices, and prohibits the advertisements to disclose descriptions, claims or illustrations that are not true. In accordance with the relevant legislations and code of practices, the Group formulates the sales and promotion campaigns to ensure they are truthful, fair and reasonable, and free of misleading elements for protection of the consumers' interests.


ACI
ISO9001
TRIANGULAR FORCE CONSTRUCTION
ENGINEERING LIMITED
ACCREDITED CERTIFICATION INTERNATIONAL LIMITED

B7.Anti-corruption

General Disclosure

To maintain a fair, ethical and efficient business and working environment, the Group strictly abides by the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business.

In FY2019, the Group did not notify any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering including but not limited to the Prevention of Bribery Ordinance on the Prevention, Penal Code and Suppression of Bribery in the Private Sector (PSBPS) as amended by Law 17/2009 of Macau.

Anti-corruption

The Group prohibits all forms of bribery and corruption, and requires all employees to strictly abide by professional ethics and eliminate any corruption and bribery. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests. In FY2019, the Group collaborated with Independent Commission Against Corruption ("**ICAC**") to formulate anti-corruption plans for corporations. Also, the Group required the management to attend seminars and trainings provided by ICAC to better instil the resolve of rooting out all corruption in the company to them.

Whistle-blowing Policy

Whistle-blowers can report verbally or in writing to the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation. When criminality is suspected, a report will be made to the relevant regulators or law enforcement authorities when the management considers it necessary.

B8. Community Investment

General Disclosure

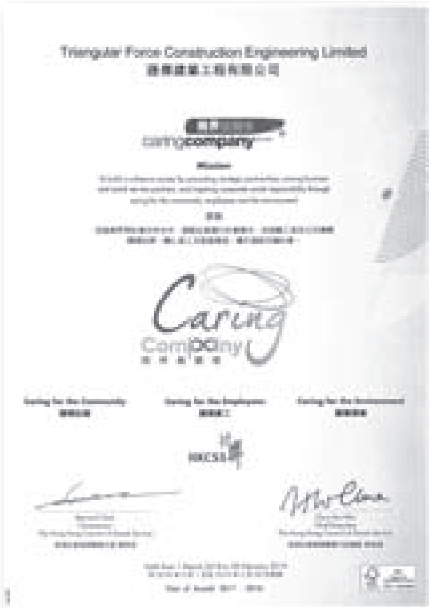
The Group is committed to emboldening and supporting the public by the means of social participation and contribution as part of its strategic development, and to nurture the corporate culture and practices of corporate citizen in the daily work life throughout the Group. We aim to promote the stability of the society, and support underprivileged on rehabilitation to improve the quality of life. We also focus to inspire our employees towards social welfare concerns. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group.

Community Investments

As a corporate citizen, the Group realises the importance of making a positive contribution to the communities where the Group operates, and sees the interests of the communities as one of its social responsibilities. The Group is committed to making donations to a great variety of charitable organisations such as "Food Angel by Bo Charity Foundation" and insisting on helping individuals, especially children that are in urgent need of help within the community. The Group also encourages its own employees to volunteer to participate in these activities and support these projects by all means.

The Group was awarded "Caring Company" in FY2019, reflecting its huge contribution and passion in the promotion of social responsibility.

The Group is committed to emboldening and supporting the public by the means of social participation and contribution as part of its strategic development, and to nurture the corporate culture and practices of corporate citizen in the daily work life throughout the Group. We aim to promote the stability of the society, and support underprivileged on rehabilitation to improve the quality of life. We also focus to inspire our employees towards social welfare concerns. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group.



THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – Air and GHG Emissions, Waste Management, Paper Management, Wastewater Management
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – Air and GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Not applicable-Explained
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions – Air and GHG Emissions, Waste Management, Paper Management, Wastewater Management
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management, Paper Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Electricity Management, Energy Management
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Electricity Management, Energy Management
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources –Water Management
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Not applicable-Explained
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Consumption of Natural Resources, Noise Management
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment – Recruitment and Promotion, Compensation and Dismissal, Working Hours and Rest Periods, Equal Opportunity and Anti-discrimination, Other Benefits and Welfare
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety – Safety Measures, Emergencies Reporting Mechanism, Occupational Safety and Health Training
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training – Training and Development Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards – Prevention of Child Labour and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management – Supply Chain Management Structures
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility – Quality Management System, Customer Privacy Protection, Intellectual Property Rights, Advertising and Labelling
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption – Anti-corruption, Whistle-blowing Policy
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

DIRECTORS' REPORT

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing the machinery and the Group possesses all standard plant and machinery and equipment necessary for the construction of bored piles. The Group also engaged in leasing of machinery. Details of the principal activities of the subsidiaries of the Company are set out in note 17 to the consolidated financial statements of this annual report.

There were no significant changes in the nature of the Group's principal activities during the year.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past four financial years is set out on page 140 of this annual report. This summary does not form part of the audited consolidated financial statements of this annual report.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 March 2019 and the financial position of the Company and of the Group as at 31 March 2019 are set out in the consolidated financial statements on pages 72 to 139 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 22 August 2019 (the "**2019 AGM**"). For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 19 August 2019 to Thursday, 22 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2019 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company is Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from Thursday, 11 July 2019), for registration not later than 4:30p.m. on Friday, 16 August 2019.

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements. No important event affecting the Group that has occurred since the end of financial year ended 31 March 2019 and up to the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements of this annual report.

DONATION

No charitable donations was made by the Group during the year ended 31 March 2019 (2018: HK$800).

SHARE CAPITAL

Details of the Company's share capital is set out in note 28 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees of the Company, the Directors and other selected participants for their contributions to the Group. The Company has conditionally adopted the Share Option Scheme on 22 September 2017. Further details of the Share Option Scheme are set in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV of the Prospectus.

For the year ended 31 March 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 30 to the consolidated financial statements of this annual report and in the consolidated statement of changes in equity respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which could oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELATED PARTY TRANSATIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 March 2019 are set out in note 34 to the consolidated financial statements of this annual report. To the best knowledge of the Directors, none of these related party transactions constitute connected transactions that need to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVE

As at 31 March 2019, none of the Company's reserves available for distribution to owners comprising share premium account less accumulated losses.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 12%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 51%.

During the year ended 31 March 2019, the percentage of the Group's largest supplier was approximately 7% of the total direct costs for the year, while the percentage of the Group's five largest suppliers accounted for approximately 17% of the total direct costs.

None of the Directors, or any of their closed associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Tang Kwai Leung Stanley *(Chairman)*
Mr. Chui Koon Yau

Independent Non-executive Directors

Mr. Cheung Chung Chuen George
Mr. Law Ching Ning Paschal
Mr. Leung Wai Hung

In accordance with the Company's memorandum and articles of association, at each annual general meeting, one third of the Director for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Pursuant to Article 108 of the Company's articles of association, Mr. Tang and Mr. Cheung will retire at the forthcoming annual general meeting and, all being eligible, will offer themselves for re-election at the said meeting.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Apart from the contracts relating to the reorganisation in relation to the Listing, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "**Controlling Shareholders**") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 17 of this annual report.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 13 to the consolidated financial statements of this annual report.

The remuneration of the senior management of the Group for the year ended 31 March 2019 falls within the following band:

Remuneration band	**Number of senior management**
Nil to HK$1,000,000	1
HK$1,000,001 to up to HK$1,500,000	2

REMUNERATION POLICY

The Company's remuneration policy (the "**Remuneration Policy**") comprises primarily a fixed component (in the form of a base salary) and variable component (which include discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once every year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the Remuneration Policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2019 are set out in note 13 to the consolidated financial statements of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions disclosed in note 34 to the consolidated financial statements of this annual report, no Directors or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2019.

MANAGEMENT CONTRACTS

As at 31 March 2019, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' REMUNERATION

The Directors' remuneration is determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group, and reviewed by the Remuneration Committee. Particulars of the duties and responsibilities of the Remuneration Committee are set out in "Corporate Governance Report" of this annual report.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Frontpage Capital Limited (the "**Compliance Adviser**"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares and debentures of the Company" below, 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 or any of the Company's subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 31 March 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were follow:

Name	Capacity/Nature of interest	Number of shares of the Company held/interested	Percentage of shareholding
Mr. Tang Note 1	Interest of a controlled corporation	187,000,000	31.17%
Mr. Chui Note 2	Interest of a controlled corporation	183,000,000	30.50%

Notes:

1. Mr. Tang legally and beneficially owns the entire issued share capital of C3J Development Limited ("**C3J Development**"). Therefore, Mr. Tang is deemed, or taken to be, interested in all the shares of the Company held by C3J Development for the purpose of the SFO. Mr. Tang is the sole director of C3J Development.

2. Mr. Chui legally and beneficially owns the entire issued share capital of Hunter Corporate Limited ("**Hunter Corporate**"). Therefore, Mr. Chui is deemed, or taken to be, interested in all the shares of the Company held by Hunter Corporate for the purpose of the SFO. Mr. Chui is the sole director of Hunter Corporate.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors, as at 31 March 2019, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of shares of the Company held/interested	Percentage of shareholding
C3J Development	Beneficial owner	187,000,000	31.17%
Ms. Lam Ka Yi Note 1	Interest of spouse	187,000,000	31.17%
Hunter Corporate	Beneficial owner	183,000,000	30.50%
Ms. Wong Kit Chun Note 2	Interest of spouse	183,000,000	30.50%

Notes:

1. Ms. Lam Ka Yi is the spouse of Mr. Tang. Mr. Tang legally and beneficially owns the entire issued share capital of C3J Development. Therefore, Ms. Lam Ka Yi is deemed, or taken to be, interested in all the shares of the Company held by C3J Development for the purpose of the SFO.

2. Ms. Wong Kit Chun is the spouse of Mr. Chui. Mr. Chui legally and beneficially owns the entire issued share capital of Hunter Corporate. Therefore, Ms. Wong Kit Chun is deemed, or taken to be, interested in all the shares of the Company held by Hunter Corporate for the purpose of the SFO.

Save as disclosed above, as at 31 March 2019, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executives' interest and short positions in shares, underlying shares and debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

PURCHASE, SALE OR REDEMPTION OR LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

COMPETITION AND CONFLICT ON INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rule, or has any other conflict of interests with the Group during year ended 31 March 2019.

Non-Competition Undertakings

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Tang, Mr. Chui, C3J Development and Hunter Corporate (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition ("**Deed of Non-competition**") with the Company (for itself and for the benefit of each other member of the Group) on 22 September 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remain effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

During the year ended 31 March 2019, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" on page 18 to 31 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in "Share Option Scheme" on page 55 of this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2019.

SUFFICIENCY OF PUBLIC FLOAT

On 29 March 2018, based on the information available that 20,000 shares of the Company representing approximately 0.003% of the total issued share capital of the Company were held by Mr. Lau, the director of Triangular Force, an indirectly wholly-owned subsidiary of the Company. Mr. Lau is a core connected person of the Company as defined under the GEM Listing Rules, therefore the shares of the Company held by him were not counted towards the public float of the Company and thus only approximately 24.997% of the shares of the Company were held by public, which has fallen below 25% of the total issued share capital of the Company must be held by public under Rule 11.23(7) of the GEM Listing Rules.

In order to restore its public float in compliance with Rule 11.23(7), on 24 April 2018, Mr. Lau has disposed of 20,000 shares of the Company, representing approximately 0.003% of the total issued shares capital of the Company. Upon completion of such disposal, a total of 150,000,000 Company's shares, representing 25% of the total issued shares of the Company were held by the public. Further details are set out in the announcements of the Company "Announcement in relation to public float" dated 29 March 2018 and "Restoration of public float" dated on 25 April 2018.

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 March 2019 and prior to the issue of this annual report, the Company maintained a sufficient public float of at least 25% in the issued share capital of the Company pursuant to the GEM Listing Rules.

AUDIT COMMITTEE

The Company has the Audit Committee which was established in compliance with Rule 5.28 of the GEM Listing Rules, for the purposes for reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the independent non-executive Directors of the Company.

The summary of duties and works of the Audit Committee is set out in the "Corporate Governance Report" of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 March 2019 has been audited by RSM Hong Kong ("**RSM**"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of RSM as auditor of the Company.

ON BEHALF OF THE BOARD

Beaver Group (Holding) Company Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 24 June 2019

RSM

RSM Hong Kong

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TO THE SHAREHOLDERS OF
BEAVER GROUP (HOLDING) COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Beaver Group (Holding) Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 72 to 139, which comprise the consolidated statement of financial position as at 31 March 2019, 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

1. Recognition of revenue and cost from construction contracts and contract assets

2. Impairment of trade and retention receivables and contract assets in respect of expected credit losses ("**ECL**")

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Recognition of revenue and costs from construction contracts and contract assets Refer to notes 7 and 19 to the consolidated financial statements. As disclosed in note 7 to the consolidated financial statements, during the year ended 31 March 2019, the Group generated revenue of approximately HK$131,829,000 from construction contracts. As disclosed in note 19 to the consolidated financial statements, the carrying amounts of contract assets for contract works of approximately HK$14,208,000 (net of allowance for impairment loss of approximately HK$181,000) were recorded in the consolidated statement of financial position as at 31 March 2019. The Group's main revenue is construction revenue from the provision of foundation works. The Group recognises contract revenue progressively over time using output method, based on direct measurements of the value of services delivered or surveys of work performed and the estimated total revenue for the contracts entered into by the Group. Contract costs are recognised when work in performed, together with any provisions for expected contract losses.	Our audit procedures to revenue recognition and costs from construction contracts and contract assets included the following: 1. Understanding and evaluating management's process in estimation of the contract revenue, budget cost and determination of completion status of the construction contracts; 2. Agreeing the total contract value to the contracts and variation orders, if any, to customers' instructions or other form of agreements or other correspondences, on a sample basis; 3. Evaluating the reasonableness of the estimated total contract costs by assessing the status of completion of the construction contracts, and comparing the actual costs incurred against management's estimation and the profit margin of other similar projects, on a sample basis; 4. Assessing the reasonableness of contract revenue recognised by inspecting the certificate of completion issued by customers, and comparing with payment application prepared by the in-house surveyor; and

Key Audit Matter	How our audit addressed the Key Audit Matter
Management reviews and revises the estimates of contract revenue, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses. The recognition of revenue and profit relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated and ascertained damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable. We identified the recognition of revenue and cost from construction contracts and contract assets as a key audit matter because the estimation of the total contract revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.	5. Discussing with management the performance of contracts in progress during the year, on a sample basis, and challenging the key estimates and assumptions adopted in the forecasts for contract revenue and contract costs, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and the assessment of potential liquidated and ascertained damages for contracts which were behind schedule, by obtaining and evaluating relevant information in connection the assumptions adopted, including contract agreements and subcontracts, correspondence with customers regarding contract variations and claims and by considering historical outcomes of similar contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Impairment of trade and retention receivables and contract assets in respect of ECL Refer to notes 18 and 19 to the consolidated financial statements. As disclosed in note 18 to the consolidated financial statements, as at 31 March 2019, the Group's trade and retention receivables amounted to approximately HK$51,229,000 (net of allowance for impairment loss of approximately HK$5,661,000). The trade and retention receivables which are past due but not impaired amounted to approximately HK$16,833,000. As disclosed in note 19 to the consolidated financial statements, the Group's contract assets amounted to approximately HK$14,208,000 (net of allowance for impairment loss of approximately HK$181,000). We identified the impairment of trade and retention receivables and contract assets as a key audit matter because the assessment of the impairment of trade and retention receivables and contract assets under ECL model is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias. As disclosed in note 6(b) to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade and retention receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, ageing and past due status of respective trade and retention receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade and retention receivables that are credit impaired are assessed for ECL individually.	Our audit procedures to assess the impairment of trade and retention receivables and contract assets in respect of ECL included the following: 1. Assessing the external valuer's qualifications, experience and expertise and considering their objectivity and independence; 2. Assessing whether trade and retention receivables and contract assets were appropriately grouped by the management into categories with shared credit risk characteristics; 3. Testing on a sample basis the accuracy and completeness of the data used by the management to develop historical loss rates and assessing the sufficiency, relevance and reliability of that data; 4. Assessing the accuracy of the ageing analysis by checking to the original invoices issued by the Group, on a sample basis; 5. Inspecting cash receipts from customers after the financial year end relating to trade and retention receivables and contract assets balances as at 31 March 2019, and subsequent progress billing after the financial year end relating to contract assets on a sample basis; and 6. With the assistance of our in-house valuation specialists: (i) assessing the appropriateness of the impairment model used by the Group; (ii) considering the appropriateness of forward-looking adjustments to historical loss rates; (iii) testing the calculation of historical loss rates; and (iv) testing the calculation of the expected credit loss provisions.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the Company's annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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 assists the Directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

We communicate with the Audit Committee, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kong Wang.

RSM Hong Kong
Certified Public Accountants
Hong Kong
24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	7	**152,484**	123,019
Cost of sales		**(138,719)**	(116,935)
Gross profit		**13,765**	6,084
Other income, gains/(losses)	8	**4,353**	5,265
Administrative expenses		**(14,184)**	(25,280)
Allowance for impairment loss of financial assets, net		**(4,432)**	—
Loss from operations		**(498)**	(13,931)
Finance costs	10	**(1,239)**	(567)
Loss before tax		**(1,737)**	(14,498)
Income tax (expense)/credit	11	**(669)**	36
Loss for the year attributable to owners of the Company	12	**(2,406)**	(14,462)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**136**	118
Other comprehensive income for the year, net of tax		**136**	118
Total comprehensive income for the year attributable to owners of the Company		**(2,270)**	(14,344)
Loss per share			
Basic and diluted (cents)	15	**(0.40)**	(2.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	60,489	57,808
Current assets			
Trade and retention receivables	18	51,229	32,886
Contract assets	19	14,208	—
Gross amounts due from customers for contract work	20	—	24,525
Deposits, prepayments and other receivables	21	4,336	12,068
Income tax recoverable		442	442
Restricted bank deposits	22	—	3,000
Bank and cash balances	22	15,250	17,082
Total current assets		85,465	90,003
Current liabilities			
Trade and retention payables	23	28,561	18,619
Gross amounts due to customers for contract work	20	—	199
Accruals and other payables	24	7,408	10,785
Bank and other borrowings	25	25,907	26,153
Finance lease payables	26	765	535
Current tax liabilities		301	450
Total current liabilities		62,942	56,741
Net current assets		22,523	33,262
Total assets less current liabilities		83,012	91,070
Non-current liabilities			
Finance lease payables	26	1,750	848
Deferred tax liabilities	27	6,039	6,548
Total non-current liabilities		7,789	7,396
NET ASSETS		75,223	83,674

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	28	6,000	6,000
Reserves	30	69,223	77,674
TOTAL EQUITY		75,223	83,674

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information in the consolidated statement of financial position is not restated. Details of changes in accounting policies are disclosed in note 3 to the consolidated financial statements.

Approved by the Board of Directors on 24 June 2019 and are signed on its behalf by:

Mr. Tang Kwai Leung Stanley
Director

Mr. Chui Koon Yau
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company					
	Share capital HK$'000 (note 28)	Share premium HK$'000 (note 30(b)(i))	Merger reserve HK$'000 (note 30(b)(ii))	Foreign currency translation reserve HK$'000 (note 30(b)(iii))	Retained earnings HK$'000	Total equity HK$'000
At 1 April 2017	*	—	22	—	55,415	55,437
Capitalisation issue (note 28)	4,500	(4,500)	—	—	—	—
Issuance of shares under share offer (note 28)	1,500	49,500	—	—	—	51,000
Share issuing expenses (note 28)	—	(8,419)	—	—	—	(8,419)
Total comprehensive income for the year	—	—	—	118	(14,462)	(14,344)
Changes in equity for the year	6,000	36,581	—	118	(14,462)	28,237
At 31 March 2018	6,000	36,581	22	118	40,953	83,674
At 1 April 2018	6,000	36,581	22	118	40,953	83,674
Effect on adoption of HKFRS 9 (note 3(a))	–	–	–	–	(1,410)	(1,410)
Effect on adoption of HKFRS 15 (note 3(a))	–	–	–	–	(4,771)	(4,771)
Restated balances as at 1 April 2018	6,000	36,581	22	118	34,772	77,493
Total comprehensive income for the year	–	–	–	136	(2,406)	(2,270)
Changes in equity for the year	–	–	–	136	(2,406)	(2,270)
At 31 March 2019	6,000	36,581	22	254	32,366	75,223

* The balance represents amount less than HK$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,737)	(14,498)
Adjustments for:		
Depreciation	15,958	15,500
Finance costs	1,239	567
(Addition)/reversal of provision for annual leave	(9)	102
Gain on disposals of property, plant and equipment	(3,928)	(4,518)
Loss on written-off of property, plant and equipment	28	—
Allowance for impairment loss of financial assets, net	4,432	—
Operating cash flows before working capital changes	15,983	(2,847)
(Increase)/decrease in trade and retention receivables	(24,004)	9,898
Increase in contract assets	(14,389)	—
Decrease/(increase) in amounts due from customers for contract work	18,585	(19,912)
Decrease/(increase) in deposits, prepayments and other receivables	3,651	(6,392)
Increase/(decrease) in trade and retention payables	9,942	(554)
Decrease in amounts due to customers for contract work	—	(2,694)
Decrease in accruals and other payables	(3,368)	(6,561)
Cash generated from/(used in) operations	6,400	(29,062)
Income taxes (paid)/refunded	(357)	660
Interest paid	(1,239)	(567)
Net cash generated from/(used in) operating activities	4,804	(28,969)

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(15,665)	(11,553)
Proceeds from disposal of property, plant and equipment	6,800	3,740
Release/(placement) of restricted bank deposits	3,000	(3,000)
Net cash used in investing activities	(5,865)	(10,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	–	42,581
Bank and other borrowings raised	36,974	23,669
Repayments of finance lease payables	(661)	(1,127)
Repayments of bank and other borrowings	(37,220)	(2,436)
Decrease in amounts due to directors	–	(8,570)
Net cash (used in)/generated from financing activities	(907)	54,117
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,968)	14,335
Effect of foreign exchange rate changes	136	118
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,082	2,629
CASH AND CASH EQUIVALENTS AT END OF YEAR	15,250	17,082

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 3 January 2017. The address of its registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108 the Cayman Islands. The address of its principal place of business is Room 1815, 18/F, Tsuen Wan Industrial Centre, 220-248 Texaco Road, Tsuen Wan, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2017.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 March 2019, Hunter Corporate Limited ("**Hunter**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and C3J Development Limited ("**C3J**"), a company incorporated in the BVI with limited liability, are the ultimate holding companies and Mr. Chui Koon Yau ("**Mr. Chui**") and Mr. Tang Kwai Leung Stanley, ("**Mr. Tang**") are the ultimate controlling parties of the Company (collectively known as the "**Controlling Shareholders**").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 *Financial Instruments*; and

(ii) HKFRS 15 *Revenue from Contracts with Customers*.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 *Financial instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies:

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("**FVTOCI**") or fair value through profit or loss ("**FVTPL**"), and

- those to be measured at amortised cost.

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

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 9 *Financial instruments* (Continued)

(b) Measurement

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

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

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

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

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

- 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 FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognsied in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 9 *Financial instruments* (Continued)

(b) Measurement (Continued)

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

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

(c) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summaries the impact on the Group's opening retained earnings as at 1 April 2018:

Retained earnings	**HK$'000**
Recognition of additional expected credit losses on:	
— trade and retention receivables	(1,343)
— contract assets	(67)
Adjustment to retained earnings from adoption of HKFRS 9 as at 1 April 2018	(1,410)

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 9 *Financial instruments* (Continued)

(c) Impairment (Continued)

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

	Classification under HKAS 39	Classification under HKFRS 9	HKAS 39 carrying amount as at 31 March 2018 HK$'000	Reclassification under HKFRS 15 (note 3(a)) HK$'000	HKFRS 9 Remeasurement HK$'000	Adjustment to retained earnings from adoption of HKFRS 15 HK$'000	**HKFRS 9 carrying amount as at 1 April 2018 HK$'000**
Financial assets							
Trade and retention receivables	Loan and receivables	Amortised cost	32,886	(4,149)	(1,343)	–	**27,394**
Contract assets	N/A	Amortised cost	–	28,674	(67)	(5,940)	**22,667**
			32,886	24,525	(1,410)	(5,940)	**50,061**

Trade and retention receivables and contract assets that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK$1,410,000 in the allowance for impairment of the trade and retention receivables and contract assets was recognised in opening retained earnings at 1 April 2018 on transition to HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 April 2018.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 9 *Financial instruments* (Continued)

(c) Impairment (Continued)

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 April 2018 results in an additional impairment allowance as follows:

	HK$'000
Allowance for impairment loss at 31 March 2018 under HKAS 39	—
Additional allowance for impairment loss recognised at 1 April 2018 on:	
— Trade and retention receivables	1,343
— Contract assets	67
Allowance for impairment loss at 1 April 2018 under HKFRS 9	1,410

HKFRS 15 *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

Construction contract income

Under HKFRS 15, the Group recognises the revenue from construction contract work when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method. The measurement of the stage of completion of a contract is established by reference to surveys of work performed. HKFRS 15 includes a new terminology "contract assets" which is defined as an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditional on something other than the passage of time. If there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognised contract assets.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 15 *Revenue from contracts with customers* (Continued)

Set out below is the impact of the adoption of HKFRS 15 on the Group.

The following table summaries the impact on the Group's opening retained earnings as at 1 April 2018:

	HK$'000
Change in timing of contract costs recognition for construction contracts	5,741
Related tax	(970)
Adjustment to retained earnings from adoption of HKFRS 15 on 1 April 2018	4,771

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

Previously, contract balances relating to construction contracts in progress were presented in the statement of consolidated financial statement under "Gross amounts due from customers for contract work" or "Gross amounts due to customers for contract work". To reflect these changes in presentation, the Group has made the following reclassification adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

Contract assets recognised in relation to construction were previously presented as "Gross amounts due from customers for contract work".

Contract liabilities for progress billing recognised in relation to construction were previously presented as "Gross amounts due to customers for contract work".

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 15 *Revenue from contracts with customers* (Continued)

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKASs 18 and 11	Estimated impact of adoption of HKFRS15
	HK$'000	HK$'000	HK$'000
As at 31 March 2019			
Consolidated statement of financial position (extract)			
Gross amounts due from customers for contract work	–	8,680	(8,680)
Contract assets	14,208	–	14,208
Trade and retention receivables	51,229	59,798	(8,569)
Gross amounts due to customers for contract work	–	2,188	2,188
Deferred tax liabilities	6,039	7,019	980
Retained earnings	32,366	32,239	127
For the year ended 31 March 2019			
Consolidated statement of profit or loss (extract)			
Cost of sales	(138,719)	(143,806)	5,087

Revenue arising from ancillary services is recognised when the services are rendered. The adoption of HKFRS 15 does not have a significant impact on when the Group recognised ancillary service income.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2018. These new and revised HKFRSs include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
HKFRS 16 *Leases*	1 January 2019
HK(IFRIC) 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases* and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office properties and warehouse leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

HKFRS 16 *Leases* (Continued)

As disclosed in note 33, the Group's future minimum lease payments under non-cancellable operating leases for its office properties and warehouse amounted to HK$881,000 as at 31 March 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 *Uncertainty over Income Tax Treatments*

The interpretation of HKAS 12 *Income Taxes* sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, if any.

(b) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (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 exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are, as follows:

Leasehold improvements	Shorter of 20% or over the lease term
Plant and machinery	12.5% to 20%
Casing and equipment	20%
Motor vehicles	30%
Furniture, fixture and office equipment	Shorter of 20% or over the lease term

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

The Group as lessee

(i) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) *Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(e) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("**ECL**") in accordance with the policy set out in note 4(t) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Contract assets and contract liabilities (Continued)

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Policy prior to 1 April 2018

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. These net balances were presented as the "gross amounts due from customers for contract work" (as an asset) or the "gross amounts due to customers for contract work" (as a liability). Progress billings not yet paid by the customer were included under "trade receivables". These balances have been reclassified as on 1 April 2018 as shown in note 3.

(f) Construction contracts

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

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method based on direct measurements of value of services delivered or surveys of work performed.

The likelihood of the Group in suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

Policy prior to 1 April 2018

Revenue from contract revenue contracts was recognised on a similar basis in the comparative period under HKAS 11.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

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 and 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 fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(h) Financial assets

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. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

Debt investments (Continued)

— FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Policy prior to 1 April 2018

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, loan and interests receivables, bank balances and cash are classified in this category.

(i) Trade, retention and other receivables

Trade, retention and other receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade, retention and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(j) Cash and cash equivalents

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

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other payables

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

(n) Equity instruments

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

(o) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

(i) Construction contract income

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 4(f) above.

(ii) Ancillary services income

Revenue from ancillary service income is recognised at a point in time when the ancillary services is completed.

(iii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(p) Employee benefits

(i) Employee leave entitlements

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

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

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (Continued)

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(q) Borrowing costs

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for expected credit losses on trade and retention receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and retention receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of financial assets and contracts assets (Continued)

Significant increase in credit risk (Continued)

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor; and

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of financial assets and contracts assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or

— The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and retention receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of financial assets and contracts assets (Continued)

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit losses is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Policy prior to 1 April 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade and retention receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade and retention receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade and retention receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Provisions and contingent liabilities

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

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

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Revenue and profit recognition of construction contracts

As explained in notes 4(f) and 4(o), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on management's estimation of the total outcome of the construction contracts, as well as the work done to date. The management reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations provided by contractors, suppliers or vendors involved and the experience of the management. In order to keep the budgets accurate and up-to-date, the management conducts periodic reviews of the budgets by comparing the budgeted amounts to the actual amounts incurred.

Significant judgement is required in estimating the contract revenue, contract costs, variation works and provision for claims which have an impact on the percentage of completion of contracts and profit or loss recognised to date.

5. KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amounts of property, plant and equipment as at 31 March 2019 was approximately HK$60,489,000 (2018: HK$57,808,000).

(c) Impairment of trade and retention receivables and contract assets (2018: Impairment of trade and retention receivables and gross amounts due from customers for contract work)

Prior to the adoption of HKFRS 9 on 1 April 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade and retention receivables and contract assets (2018: Impairment of trade and retention receivables and gross amounts due from customers for contract work) are impaired. The provision policy for bad and impairment loss of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade and retention receivables and contract assets (2018: Impairment of trade and retention receivables and gross amounts due from customers for contract work), including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 March 2018, the carrying amount of trade and retention receivables and gross amounts due from customers for contract work were approximately HK$32,886,000 (net of allowance for impairment loss of HK$Nil) and approximately HK$24,525,000 (net of allowance for impairment loss of HK$Nil) respectively.

Since the adoption of HKFRS 9 on 1 April 2018, management of the Group estimates the amount of impairment loss for ECL on trade and retention receivables and contract assets based on the credit risk of trade and retention receivables and contract assets. The amount of the impairment loss based on ECL model is 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, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2019, the carrying amount of trade and retention receivables and contract assets is approximately HK$51,229,000 and HK$14,208,000 (net of allowance for impairment loss of approximately HK$5,661,000 and HK$181,000), respectively.

5. KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. For the years ended 31 March 2019 and 2018, amount of approximately HK$669,000 and HK$36,000 of income tax was charged and credited to profit or loss respectively based on the estimated profit.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities HK$ and Macau Pataca ("**MOP**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. The foreign currency risk is not significant to the Group.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and retention receivables). The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade and retention receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are usually due within 7-60 days from the date of billing. Debtors with balances past due are requested to settle all outstanding balances before any further credit is granted. Retention receivables are usually due within 365 days from the date of completion of the projects. The Group's credit terms with its customers are mainly based on the contract terms. Normally, the Group does not obtain collateral from customers.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade and retention receivables and contract assets (Continued)

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

The following table provides information about the Group's exposure to credit risk and ECL for trade and retention receivables and contract assets as at 31 March 2019:

Trade receivables	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**
	%	HK$'000	HK$'000
Current (not past due)	1.24	32,798	407
1 — 30 days past due	1.96	1,585	31
31 — 60 days past due	2.83	990	28
61 — 90 days past due	3.12	994	31
More than 90 days past due	16.74	10,159	1,701
		46,526	2,198

Retention receivables	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**
	%	HK$'000	HK$'000
Current (not past due)	23.05	2,607	601
Up to 3 months	23.06	2,593	598
Over 3 months and less than 6 months	N/A	—	—
Over 6 months	43.84	5,164	2,264
		10,364	3,463

Contract assets	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**
	%	HK$'000	HK$'000
Current (not past due)	1.26	14,389	181

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade and retention receivables and contract assets (Continued)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 April 2018

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. As at 31 March 2018, no accumulated allowance for impairment loss was made. The aging analysis of trade receivables that were not considered to be impaired was as follows:

	2018 HK$'000
Neither past due nor impaired	8,649
0 to 30 days past due	113
31 to 60 days past due	4,107
61 to 90 days past due	5,754
Over 90 days	3,823
	22,446

The aging analysis of retention receivables that were not considered to be impaired was as follows:

	2018 HK$'000
Neither past due nor impaired	8,216
Up to 3 months	—
Over 3 months and less than 6 months	887
Over 6 months	1,337
	10,440

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade and retention receivables and contract assets (Continued)

Prior to 1 April 2018 (Continued)

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no allowance for impairment loss was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

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

	2019 HK$'000	2018 HK$'000
At 31 March under HKAS 39	1,410	—
Effect on initial adoption of HKFRS 9 (note 3)	—	1,410
Adjusted balance at 1 April	1,410	1,410
Allowance for impairment loss during the year	4,432	—
At 31 March	5,842	1,410

The following significant changes in the gross carrying amounts of trade and retention receivables and contract assets contributed to the increase in the loss allowance during 2019:

— origination of new trade and retention receivables net of those settled resulted in an increase in loss allowance of approximately HK$5,842,000; and

— increase in days past due over 90 days resulted in an increase in loss allowance of approximately HK$5,842,000.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Other receivables

All of the Group's other receivables are considered to have low credit risk, and the allowance for impairment recognised during the year was therefore limited to 12-month expected losses. Management considers other receivables to be of low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

As at 31 March 2019, there were 2 customers (2018: 5 customers) which individually contributed over 10% of the Group's trade and retention receivables respectively. The aggregate amounts of trade and retention receivables from these customers amounted to approximately 27% of the Group's total trade and retention receivables as at 31 March 2019 (2018: 68%).

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

At 31 March 2019	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and retention payables	28,561	–	–	28,561	28,561
Accruals and other payables	7,213	–	–	7,213	7,213
Bank and other borrowings	25,907	–	–	25,907	25,907
Finance lease payables	863	756	1,119	2,738	2,515
	62,544	756	1,119	64,419	64,196

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

At 31 March 2018	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and retention payables	18,619	–	–	18,619	18,619
Accruals and other payables	10,598	–	–	10,598	10,598
Bank and other borrowings	26,153	–	–	26,153	26,153
Finance lease payables	588	466	422	1,476	1,383
	55,958	466	422	56,846	56,753

Bank and other borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 31 March 2019 and 2018, the aggregate undiscounted principal amounts of these bank and other borrowings with a repayment on demand clause amounted to approximately HK$25,907,000 and approximately HK$26,153,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and the lender will exercise their discretionary rights to demand immediate repayment.

The directors believe that such bank and other borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the repayment cash outflows are as below:

	Repayable within 1 year HK$'000	**More than 1 year but less than 2 years** HK$'000	**More than 2 years but less than 5 years** HK$'000	**Total** HK$'000
At 31 March 2019				
Contractual undiscounted cash flows	**16,457**	**6,364**	**4,386**	**27,207**
At 31 March 2018				
Contractual undiscounted cash flows	23,819	1,125	1,781	26,725

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group's finance lease payables and bank and other borrowings of approximately HK$11,414,000 (2018: HK$6,221,000) bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to cash flow interest rate risk arises from its bank deposits, and bank and other borrowings. These bank deposits and bank and other borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2019, if interest rates at that date had been 50 basis points lower with all other variables held constant, loss after tax for the year would have been HK$15,000 lower (2018: HK$57,000 lower), arising mainly as a result of net of lower interest expenses on bank deposits and bank and other borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, loss after tax for the year would have been HK$15,000 higher (2018: HK$57,000 higher), arising mainly as a result of net of higher interest income on bank deposits and bank and other borrowings.

(e) Categories of financial instruments at 31 March

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at amortised costs (including cash and cash equivalents)	81,171	—
Loans and receivables (including cash and cash equivalents)	—	60,788
Financial liabilities:		
Financial liabilities at amortised cost	64,196	56,753

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

(a) Disaggregation of revenue from contracts with customers by major service line for the year is as follows:

Revenue from contracts with customers within the scope of HKFRS 15	2019 HK$'000	2018 HK$'000
Construction contract income	131,829	118,684
Ancillary service income	2,719	4,335
Rental income from machinery	17,936	–
	152,484	123,019

The Group derives revenue from the construction contract, ancillary services and machinery rental over time and at a point in time in the following major service lines and geographical regions:

	Construction contract income		Ancillary service income		Rental income from machinery		Total	
For the year ended 31 March	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Primary geographical markets								
– Hong Kong	126,576	59,961	2,719	4,335	17,936	–	147,231	64,296
– Macau	5,253	58,723	–	–	–	–	5,253	58,723
Segment revenue	131,829	118,684	2,719	4,335	17,936	–	152,484	123,019
Timing of revenue recognition								
– At a point in time	–	–	2,719	4,335	–	–	2,719	4,335
– Over time	131,829	118,684	–	–	17,936	–	149,765	118,684
Total	131,829	118,684	2,719	4,335	17,936	–	152,484	123,019

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 and HKAS 11.

7. REVENUE (Continued)

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue as follows:

	Construction contracts HK$'000	Rental of machinery HK$'000
Within one year	78,296	1,159

8. OTHER INCOME, GAINS/(LOSSES)

	2019 HK$'000	2018 HK$'000
Gain on disposals of property, plant and equipment	3,928	4,518
Gain on sales of strips	315	—
Interest income	2	*
Loss on written-off of property, plant and equipment	(28)	—
Machinery rental	—	637
Reversal of provision for annual leave	—	102
Others	136	8
	4,353	5,265

* Represents the amount less than HK$1,000.

9. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

As the Group is principally engaged in the provision of foundation work, ancillary services and machinery rental in Hong Kong and Macau, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the loss before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8 "*Operating Segments*".

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		**Non-current assets**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong	**147,231**	64,296	**60,489**	57,808
Macau	**5,253**	58,723	**—**	—
	152,484	123,019	**60,489**	57,808

Revenue from major customers

The Group's customer base for whom transactions have exceeded 10% of its revenue is as below:

	2019 HK$'000	2018 HK$'000
Customer 1	**17,399**	N/A[1]
Customer 2	**17,381**	N/A[1]
Customer 3	**N/A[1]**	42,328
Customer 4	**N/A[1]**	19,439

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

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
— bank and other borrowings	1,176	447
— bank overdraft	*	3
— finance lease	63	117
	1,239	567

* Represents the amount less than HK$1,000.

11. INCOME TAX EXPENSE/(CREDIT)

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	176	318
Under-provision in prior years	32	54
	208	372
Current tax — Macau Profits Tax		
Provision for the year	—	253
	208	625
Deferred tax (note 27)	461	(661)
	669	(36)

11. INCOME TAX EXPENSE/(CREDIT) (Continued)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) based on the assessable profit for the year less allowable losses brought forward.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

No provision for Macau Profits Tax for the year ended 31 March 2019 since the Group has no assessable profit.

Pursuant to the relevant laws and regulations in Macau, the Macau subsidiary is subject to Macau complementary tax at a maximum rate of 12% on the estimated assessable profit for the year ended 31 March 2018.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by respective applicable tax rates is as follows:

	2019 HK$'000	2018 HK$'000
Loss before tax	(1,737)	(14,498)
Tax at the respective applicable tax rates	(287)	(2,392)
Tax effect of expenses that are not deductible	1,082	1,777
Tax effect of income that is not taxable	(239)	(14)
Tax effect of temporary differences not recognised	247	569
Under-provision in prior years	32	54
Tax reduction	(166)	(30)
Income tax expense/(credit)	669	(36)

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	Note	2019 HK$'000	2018 HK$'000
Allowance for impairment loss of trade and retention receivables		4,318	—
Allowance for impairment loss of contract assets		114	—
Auditor's remuneration			
— Audit services		700	660
— Non-audit services		210	210
		910	870
Costs of construction materials	(a)	61,425	44,034
Depreciation		15,958	15,500
Less: Amount included in gross amounts due from customers for contract work		—	(2,199)
	(b)	15,958	13,301
Gain on disposals of property, plant and equipment		(3,928)	(4,518)
Loss on written off of property, plant and equipment		28	—
Operating lease charges			
— Land and buildings	(c)	2,944	2,777
Addition/(reversal) of provision for annual leave		9	(102)
Staff costs including directors' emoluments			
— Salaries, bonuses, allowances and other benefits		32,271	27,913
— Retirement benefits scheme contributions		1,069	896
	(d)	33,340	28,809
Listing expenses		—	10,369

Notes:

(a) The amounts were included in cost of sales for the year.

(b) The amounts included in cost of sales for the year ended 31 March 2019 and 2018 amounted to HK$15,076,000 and HK$12,374,000 respectively.

(c) The amounts included in cost of sales for the year ended 31 March 2019 and 2018 amounted to HK$2,576,000 and HK$2,244,000 respectively.

(d) The amounts included in cost of sales for the year ended 31 March 2019 and 2018 amounted to HK$25,508,000 and HK$21,285,000 respectively.

13. EMPLOYEE BENEFITS EXPENSE

	Note	2019 HK$'000	2018 HK$'000
Employee benefits expense:			
Salaries, bonuses, allowances and other benefits		32,271	27,913
Retirement benefits scheme contributions	(a)	1,069	896
		33,340	28,809

Notes:

(a) Retirement benefits scheme contributions:

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The Group also participates in an employee social security plan (the "**Social Security Plan**") and contributes a fixed amount for each employee as required by the regulations in Macau.

The only obligation of the Group with respect to the MPF Scheme and the Social Security Plan is to make the required contributions under the scheme.

13. EMPLOYEE BENEFITS EXPENSE (Continued)

(b) Directors' emoluments:

For the year ended 31 March 2019	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Fees	Salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors					
Mr. Chui	–	876	–	18	894
Mr. Tang	–	453	–	18	471
Independent Non-executive Directors					
Mr. Cheung Chung Chuen George (note (a))	120	–	–	–	120
Mr. Law Ching Ning Paschal (note (a))	120	–	–	–	120
Mr. Leung Wai Hung (note (a))	120	–	–	–	120
Total	360	1,329	–	36	1,725

For the year ended 31 March 2018	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Fees	Salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors					
Mr. Chui	–	876	–	18	894
Mr. Tang	–	849	–	18	867
Independent Non-executive Directors					
Mr. Cheung Chung Chuen George (note (a))	63	–	–	–	63
Mr. Law Ching Ning Paschal (note (a))	63	–	–	–	63
Mr. Leung Wai Hung (note (a))	63	–	–	–	63
Total	189	1,725	–	36	1,950

Note (a): Mr. Cheung Chung Chuen George, Mr. Law Ching Ning Paschal and Mr. Leung Wai Hung were appointed as the independent non-executive directors of the Company on 22 September 2017.

13. EMPLOYEE BENEFITS EXPENSE (Continued)

(c) Five highest paid individuals:

The five highest paid individuals in the Group during the year included one (2018: two) director whose emoluments are reflected in the analysis presented above. The aggregate emoluments of the remaining four (2018: three) individuals are set out below:

	2019 HK$'000	2018 HK$'000
Basic salaries, bonuses, allowances and other benefits	3,817	2,760
Retirement benefits scheme contributions	74	53
	3,891	2,813

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	2	1

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

Mr. Tang waived emoluments of approximately HK$423,000 for the year ended 31 March 2019 (2018: HK$27,000). None of the other directors waived or agreed to waive any emoluments during the years ended 31 March 2019 and 2018.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the directors of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 March 2019 (2018: HK$Nil).

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2019 **HK$'000**	2018 HK$'000
Loss attributable to owners of the Company	**(2,406)**	(14,462)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**600,000**	518,630

The weighted average number of shares in issue during the year ended 31 March 2018 is based on the assumption that 450,000,000 shares of the Company were in issue, comprising 16,000 shares issued pursuant to the Group Reorganisation and 449,984,000 shares issued pursuant to the capitalisation issue, as if these shares were outstanding throughout the period from 1 April 2017 to 15 October 2017, and 150,000,000 shares issued under the Share Offer on 16 October 2017 (as defined in the prospectus of the Company dated 29 September 2017).

The diluted loss per share is equal to the basis loss per share as there were no dilutive potential ordinary shares in issue for the years ended 31 March 2019 and 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Casing and equipment HK$'000	Motor vehicles HK$'000	Furniture, fixture and office equipment HK$'000	Total HK$'000
Cost						
As at 1 April 2017	76	50,384	49,971	3,661	91	104,183
Additions	—	7,385	4,123	200	45	11,753
Written off	—	(4,500)	(5,936)	(145)	—	(10,581)
As at 31 March 2018 and 1 April 2018	76	53,269	48,158	3,716	136	105,355
Additions	—	10,072	9,595	1,872	—	21,539
Written off	(76)	—	—	—	—	(76)
Disposals	—	(6,500)	—	—	—	(6,500)
As at 31 March 2019	—	56,841	57,753	5,588	136	120,318
Accumulated depreciation						
As at 1 April 2017	19	18,196	20,420	1,650	21	40,306
Charge for the year	25	6,639	7,934	862	40	15,500
Written off	—	(3,435)	(4,761)	(63)	—	(8,259)
As at 31 March 2018 and 1 April 2018	44	21,400	23,593	2,449	61	47,547
Charge for the year	4	6,887	8,190	832	45	15,958
Written off	(48)	—	—	—	—	(48)
Disposals	—	(3,628)	—	—	—	(3,628)
As at 31 March 2019	—	24,659	31,783	3,281	106	59,829
Carrying amount						
As at 31 March 2019	—	32,182	25,970	2,307	30	60,489
As at 31 March 2018	32	31,869	24,565	1,267	75	57,808

At 31 March 2019, the carrying amount of property, plant and equipment held by the Group under finance leases amounted to HK$2,084,000 (2018: HK$969,000).

At 31 March 2019, the carrying amount of property, plant and equipment pledged as security for the Group's bank and other borrowings amounted to HK$20,195,000 (2018: HK$4,037,000).

17. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2019 are as follows:

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			Direct	Indirect	
Everest Enterprise Company Limited ("**Everest Enterprise**")	BVI	US$100	100%	–	Investment holding
Triangular Force Construction Engineering Limited ("**Triangular Force**")	Hong Kong	HK$10,000	–	100%	Provision of foundation works, ancillary services, and machinery rental services
TMP Machinery Engineering Limited ("**TMP Machinery**")	Hong Kong	HK$10,000	–	100%	Provision of management service for construction work
Longson Enterprise Development Company Limited ("**Longson**")	Hong Kong	HK$2,000	–	100%	Provision of machinery rental service
濠傑建築工程一人有限公司 ("**Ho Kit Construction**"*)	Macau	MOP25,000	–	100%	Provision of foundation works and ancillary services

* The English name of the subsidiary is used for identification purpose only. The official name of this entity is in Chinese.

18. TRADE AND RETENTION RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Trade receivables	(a)	46,526	22,446
Allowance for impairment loss		(2,198)	—
		44,328	22,446
Retention receivables (Note)	(b)	10,364	10,440
Allowance for impairment loss		(3,463)	—
		6,901	10,440
		51,229	32,886

Note: Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycles.

(a) The Group receives progress billings from contract customers. The credit terms generally range from 7 to 60 days from the date of billing. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by directors.

The ageing analysis of trade receivables, based on the progress payment, and net of allowance for impairment loss is as follows:

	2019 HK$'000	2018 HK$'000
0 to 30 days	31,361	9,468
31 to 60 days	112	491
61 to 90 days	3,218	4,050
Over 90 days	9,637	8,437
	44,328	22,446

18. TRADE AND RETENTION RECEIVABLES (Continued)

(a) As of 31 March 2019, trade receivables of HK$11,937,000 (2018: HK$13,797,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follow:

	2019 HK$'000	2018 HK$'000
0 to 30 days	1,554	113
31 to 60 days	962	4,107
61 to 90 days	963	5,754
Over 90 days	8,458	3,823
	11,937	13,797

Movement in allowance for impairment loss of trade receivables is as follows:

	HK$'000
At 1 April 2018	—
Effect of adoption of HKFRS 9	46
At 1 April 2018 under HKFRS 9 (restated)	46
Allowance for the year	2,152
At 31 March 2019	2,198

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	42,674	19,766
MOP	1,654	2,680
	44,328	22,446

18. TRADE AND RETENTION RECEIVABLES (Continued)

(b) Upon the adoption of HKFRS 15, some of the retention receivables, for which the Group's entitlement to the consideration was conditional on satisfactory completion of the retention period, were reclassified to "Contract assets" and disclosed in note 19.

As of 31 March 2019, retention receivables of HK$4,895,000 (2018: HK$2,224,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these retention receivables is as follows:

	2019 HK$'000	2018 HK$'000
Up to 3 months	**1,995**	—
Over 3 months and less than 6 months	**—**	887
Over 6 months	**2,900**	1,337
	4,895	2,224

Movement in allowance for impairment loss of retention receivables is as follows:

	HK$'000
At 1 April 2018	—
Effect of adoption of HKFRS 9	1,297
At 1 April 2018 under HKFRS 9 (restated)	1,297
Allowance for the year	2,166
At 31 March 2019	3,463

The carrying amounts of the Group's retention receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**4,967**	7,952
MOP	**1,934**	2,488
	6,901	10,440

19. CONTRACT ASSETS

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Contract assets arising from:			
Performance under construction contracts	5,705	18,585	—
Less: Allowance for impairment loss	(65)	(55)	—
	5,640	18,530	—
Retention receivables from contracts with customers within the scope of HKFRS 15 which were included in "Trade and retention receivables" (note 18(b))	8,684	4,149	—
Less: Allowance for impairment loss	(116)	(12)	—
	8,568	4,137	—
	14,208	22,667	—

As at 31 March 2019, all contract assets were expected to be recovered within one year.

Movement in allowance for impairment loss of contract assets is as follows:

	HK$'000
At 1 April 2018	—
Effect of adoption of HKFRS 9	67
At 1 April 2018 under HKFRS 9 (restated)	67
Allowance for the year	114
At 31 March 2019	181

19. CONTRACT ASSETS (Continued)

Construction contract income

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. Additionally, the Group typically agrees 6 months – 1 year retention period for 5% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection.

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the year end date.

20. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2019 **HK$'000**	2018 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	–	166,994
Less: Progress billings	–	(142,668)
	–	24,326
Gross amounts due from customers for contract work	–	24,525
Gross amounts due to customers for contract work	–	(199)
	–	24,326

Note: Upon the adoption of HKFRS 15, gross amounts due from/(to) customers for contract work are included in contract assets and charge to profit or loss respectively and disclosed in note 19 (see note 3(a)).

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Deposits	412	648
Prepayments	3,852	4,248
Other receivables	72	7,172
	4,336	12,068

22. RESTRICTED BANK DEPOSITS AND BANK AND CASH BALANCES

	2019 HK$'000	2018 HK$'000
Bank and cash balances	15,250	20,082
Less: Bank deposits, restricted	—	(3,000)
Bank and cash balances, unrestricted	15,250	17,082

Bank and cash balances are denominated in the following currencies.

	2019 HK$'000	2018 HK$'000
HK$	15,030	19,384
MOP	220	698
	15,250	20,082

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 25 to the consolidated financial statements.

23. TRADE AND RETENTION PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Trade payables	(a)	27,299	18,370
Retention payables (Note)	(b)	1,262	249
		28,561	18,619

Note: Retention payables are included in current liabilities as the Group expects to realise these within its normal operating cycles.

23. TRADE AND RETENTION PAYABLES (Continued)

(a) The ageing analysis of trade payables, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
0 to 30 days	6,590	3,038
31 to 60 days	3,420	5,553
61 to 90 days	3,431	5,132
Over 90 days	13,858	4,647
	27,299	18,370

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	27,299	18,041
MOP	–	329
	27,299	18,370

(b) Retention payables from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

The carrying amounts of the Group's retention payables are denominated in Hong Kong dollars.

24. ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accruals	5,271	5,582
Other payables	2,137	5,203
	7,408	10,785

25. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank borrowings – secured (note a)	–	9,985
Bank borrowings – unsecured	10,000	12,432
Other borrowings – secured (note b)	15,907	3,736
	25,907	26,153

In the consolidated statement of financial position, bank and other borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities. Based on the scheduled repayment set out in the banking facility agreements, the maturity of obligations under bank and other borrowings are as follows:

	2019 HK$'000	2018 HK$'000
On demand or within one year	15,679	23,402
More than one year, but not exceeding two years	5,976	1,030
More than two years, but not exceeding five years	4,252	1,721
	25,907	26,153
Less: Amount due for settlement within 12 months	(15,679)	(23,402)
	10,228	2,751
Represented by:		
Amount due for settlement after 12 months	–	–
Portion of bank and other borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	10,228	2,751

All of the bank and other borrowings are guaranteed by the Company.

Note (a): As at 31 March 2018, the bank borrowings of approximately HK$9,985,000 was secured by restricted bank deposit of the Group (Note 22) and was fully repaid during the year ended 31 March 2019.

Note (b): As at 31 March 2019, the other borrowings of approximately HK$15,907,000 (2018: HK$3,736,000) were secured by a charge over the property, plant and equipment of the Group with a carrying amount of approximately HK$20,195,000 (2018: HK$4,037,0000).

During the year ended 31 March 2019, the Group disposed a plant and machinery with carrying amount of HK$660,000 that was pledged as security for the other borrowings, and as a result, the Group breached the related financial covenants. A written consent has been subsequently obtained from the lender and the breach of financial covenants has been rectified.

25. BANK AND OTHER BORROWINGS (Continued)

The average interest rates per annum at 31 March were as follows:

	2019	2018
Bank and other borrowings	4.10%	2.98%

As at 31 March 2019, bank and other borrowings of approximately HK$11,414,000 (2018: HK$6,221,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk, other bank and other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

26. FINANCE LEASE PAYABLES

In the consolidated statement of financial position, obligations under finance leases due for repayment after one year which contain repayment on demand clause were classified as current liabilities. The maturity of obligations under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Within one year	863	589	765	535
In the second year	756	466	692	437
In the third to fifth years, inclusive	1,119	422	1,058	411
	2,738	1,477	2,515	1,383
Less: Future finance charges	(223)	(94)	—	—
Present value of lease obligations	2,515	1,383	2,515	1,383
Less: Amount due for settlement within 12 months (shown under current liabilities)			(765)	(535)
Amount due for settlement after 12 months			1,750	848

All finance lease payables are denominated in Hong Kong dollars.

26. FINANCE LEASE PAYABLES (Continued)

At 31 March 2019, the Group's finance lease payables of approximately HK$985,000 (2018: HK$Nil) were guaranteed by the Company.

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is 5 years for the years ended 31 March 2019 and 2018 respectively. At 31 March 2019 and 2018, the average effective borrowing rate was 4.82% and 5.08% respectively. As at 31 March 2019 and 2018, finance lease payables of HK$2,515,000 and HK$1,383,000 bear fixed interest rate at the contract date and thus expose the Group to fair value interest rate risk. The remaining finance lease payables are arranged at floating rates and expose the Group to cash flow interest rate risk. At the end of each lease term, the Group has the option to purchase the property, plant and equipment at nominal prices.

None of the portion of finance lease payables due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

27. DEFERRED TAX

The following are the deferred tax assets/(liabilities) recognised by the Group:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
As at 1 April 2017	(8,001)	792	—	(7,209)
(Charge)/credit for the year (note 11)	735	(74)	—	661
As at 31 March 2018 and 1 April 2018	(7,266)	718	—	(6,548)
Effect on adoption of HKFRS 15	—	—	970	970
As at 1 April 2018 (restated)	(7,266)	718	970	(5,578)
Credit/(charge) for the year (note 11)	(55)	564	(970)	(461)
As at 31 March 2019	(7,321)	1,282	—	(6,039)

27. DEFERRED TAX (Continued)

The following is the analysis of the deferred tax balances for consolidated statement of financial position purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	1,282	718
Deferred tax liabilities	(7,321)	(7,266)
	(6,039)	(6,548)

At the end of the reporting period, the Group has unused tax losses of approximately HK$7,770,000 (2018: HK$4,357,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$1,282,000 (2018: HK$718,000) of such losses. Unused tax losses may be carried forward indefinitely.

28. SHARE CAPITAL

	Note	2019 Number of shares	2019 HK$'000	2018 Number of shares	2018 HK$'000
Authorised:					
Ordinary shares of HK$0.01 each					
At 1 April		1,000,000,000	10,000	38,000,000	380
Increase on 22 September 2017	(a)	—	—	962,000,000	9,620
At 31 March		1,000,000,000	10,000	1,000,000,000	10,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At 1 April		600,000,000	6,000	16,000	*
Capitalisation issue	(b)	—	—	449,984,000	4,500
Issuance of shares under share offer	(c)	—	—	150,000,000	1,500
At 31 March		600,000,000	6,000	600,000,000	6,000

* Represents the amount less than HK$1,000.

28. SHARE CAPITAL (Continued)

(a) Pursuant to the written resolution passed on 22 September 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by creation of an additional 962,000,000 ordinary shares of HK$0.01 each.

(b) Pursuant to the written resolutions passed by the shareholders on 22 September 2017, the directors of the Company were authorised to allot and issue a total of 449,984,000 shares credited as fully paid at par by way of capitalisation of the sum of HK$4,499,840 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**").

(c) On 16 October 2017, 150,000,000 shares under share offer were issued at HK$0.34 per share for a total consideration of HK$51,000,000.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by total equity. Total debt comprises finance lease payables, bank and other borrowings and amount due to directors. Adjusted capital comprises all components of equity, retained earnings and other reserves except for non-controlling interests.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

Breaches in meeting the financial covenants would permit the bank to immediately demand repayment of borrowings. For details of breach of covenant during the year, please refer to note 25(b) to the consolidated financial statement.

The debt-to-adjusted capital ratios at 31 March 2019 and at 31 March 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Finance lease payables	**2,515**	1,383
Bank and other borrowings	**25,907**	26,153
Less: bank and cash equivalents (excluding restricted bank deposit)	**(15,250)**	(17,082)
Net debts	**13,172**	10,454
Adjusted capital	**75,223**	83,674
Debt-to-adjusted capital ratio	**17.5%**	12.5%

The increase in the debt-to-adjusted capital ratio during 2019 resulted primarily from increase of finance lease payables and decrease of bank and cash equivalents.

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

(a) Statement of financial position of the Company

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment in a subsidiary		**1**	1
Current assets			
Prepayment		**113**	—
Due from subsidiaries		**—**	42,100
Bank and cash balances		**24**	79
		137	42,179
Current liabilities			
Due to a subsidiary		**1**	1
Accruals		**355**	—
		356	1
Net current (liabilities)/assets		**(219)**	42,178
NET (LIABILITIES)/ASSETS		**(218)**	42,179
Capital and reserves			
Share capital	28	**6,000**	6,000
Reserves	29(b)	**(6,218)**	36,179
TOTAL EQUITY		**(218)**	42,179

Approved by the Board of Directors on 24 June 2019 and are signed on its behalf by:

Mr. Tang Kwai Leung Stanley
Director

Mr. Chui Koon Yau
Director

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK$'000 (note 30(b)(i))	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2017	—	—	—
Capitalisation issue (note 28)	(4,500)	—	(4,500)
Issuance of shares under share offer (note 28)	49,500	—	49,500
Share issuing expenses (note 28)	(8,419)	—	(8,419)
Total comprehensive income for the year	—	(402)	(402)
As at 31 March 2018 and 1 April 2018	36,581	(402)	36,179
Total comprehensive income for the year	—	(42,397)	(42,397)
As at 31 March 2019	36,581	(42,799)	(6,218)

30. RESERVES

(a) Reserves of the Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve represented the aggregate of paid-in capital of Triangular Force, TMP Machinery and Longson, subsidiaries of the Company, of 10,000, 10,000 and 2,000 ordinary shares of HK$1 each respectively.

30. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

31. SHARE-BASE PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 22 September 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

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

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

No share option was granted during the years ended 31 March 2019 and 2018.

32. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Additions to property, plant and equipment for the years ended 31 March 2019 and 2018 amounted to approximately HK$1,793,000 and HK$200,000 respectively were financed by finance leases.

Additions to property, plant and equipment for the year ended 31 March 2019 amounted to approximately HK$4,081,000 (2018: HK$Nil) were settled by the prepayments.

During the year ended 31 March 2018, the Group disposed the property, plant and equipment, sales proceeds of approximately HK$3,100,000 have not been received at the reporting period and have been recorded in other receivables as at 31 March 2018 (note 21).

(b) Reconciliation of liabilities arising from financing activities

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

	1 April 2018 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Non-cash flows HK$'000	31 March 2019 HK$'000
Bank and other borrowings (note 25)	26,153	930	(1,176)	—	25,907
Finance lease payables (note 26)	1,383	(598)	(63)	1,793	2,515
	27,536	332	(1,239)	1,793	28,422

	1 April 2017 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Non-cash flows HK$'000	31 March 2018 HK$'000
Due to directors	8,570	(8,570)	—	—	—
Bank and other borrowings (note 25)	4,920	21,680	(447)	—	26,153
Finance lease payables (note 26)	2,310	(1,010)	(117)	200	1,383
	15,800	12,100	(564)	200	27,536

33. LEASE COMMITMENTS

The Group as lessee

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	840	1,655
In the second to fifth years inclusive	41	127
	881	1,782

Operating lease payments mainly represent rentals payable by the Group for certain of its offices and warehouses. Leases are negotiated for terms ranging from one to three years (2018: ranging from one to three years) and rentals are fixed over the lease terms and do not include contingent rentals.

34. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the year were as follow:

	2019 HK$'000	2018 HK$'000
Short term benefits	4,499	5,149
Retirements benefit scheme contribution	89	107
	4,588	5,256

35. EVENTS AFTER THE REPORTING PERIOD

In June 2019, a banking facility up to HK$10,000,000 was granted to a subsidiary of the Company, which was secured by life insurance policies of Mr. Tang and Mr. Chui. Under the life insurance policies, the beneficiary and policy holder is the Company.

36. CONTINGENT LIABILITIES

As at 31 March 2019 and 2018, the Group were exposed to the liabilities under the Employees' Compensation Ordinance (Cap.282 of the Laws of Hong Kong) and common law for injuries at work in respect of all their employees. During the year, all the construction projects were covered by the employees' compensation insurance and contractors' all risk insurance taken out by the main contractors of the construction projects the Group participated in. Such insurance policies covered and protected all employees of the Group of all tiers working in the relevant construction sites. Other than that, the Group had no significant contingent liabilities.

37. COMPARATIVE FIGURE

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated.

FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last four financial years, as extracted from the published audited financial statements are summarised below.

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
RESULTS				
REVENUE	152,484	123,019	116,563	86,604
(LOSS)/PROFIT BEFORE TAX	(1,737)	(14,498)	6,839	20,651
INCOME TAX (EXPENSE)/CREDIT	(669)	36	(1,559)	(3,370)
(LOSS)/PROFIT FOR THE YEAR	(2,406)	(14,462)	5,280	17,281
ASSETS AND LIABILITIES				
PROPERTY, PLANT AND EQUIPMENT	60,489	57,808	63,877	59,363
NET CURRENT ASSETS/(LIABILITIES)	22,523	33,262	288	(1,472)
NON-CURRENT LIABILITIES	(7,789)	(7,396)	(8,728)	(7,734)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	75,223	83,674	55,437	50,157