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 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.

Contents

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 ADVISER AS TO HONG KONG LAWS

T. S. Chu Lawyers
Room 1101, 11th Floor
Shanghai Industrial Investment Building
48–62 Hennessy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian 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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kwai Chung, New Territories
Hong Kong

PRINCIPAL BANKS

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

STOCK CODE

8275

COMPANY'S WEBSITE

www.beavergroup.com.hk

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the board (the "**Board**") of Directors, I present the annual report of the Group for the year ended 31 March 2020.

PROSPECT

The Group's business in the provision of construction services in the construction industry has been confronting challenges under slower growth of the construction industry and intensified market competition. Revenue generated for the construction contract has decreased over the previous year caused by a decrease in awards of contracts during the current year.

Despite the underperformed result and stringent market environment of the construction industry, the Group will continue to deploy efforts in tendering for contracts, particularly contracts which yield higher margins in price and make concerted efforts in controlling and managing the contract and operating costs, in order to foster improvement in results of this business.

Looking forward to 2020, we still face impacts arising from the outbreak of the COVID-19, unstable political and economic policies, fierce competition in Hong Kong's construction industry and other adverse factors. However, we believe there will be opportunities in the challenges. The Group will give sustained impetus to the growth of the group from two aspects.

Firstly, we strive to improve our operational efficiency and better the profitability of our business by implementing tightened cost control. We are also actively seeking potential business opportunities that can widen the income streams and increase the return of shareholders.

Secondly, we continue to put great efforts on talent cultivation. The speciality and quality of employees will have an important impact on the development of the group.

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, 26 June 2020

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 2020, the Group recorded a net loss of approximately HK$12.6 million as compared to a net loss of approximately HK$2.4 million for the same period in 2019. The Directors are of the view that the net loss were primarily due to (i) delay in progress of certain projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic and lower value of contracts awarded to the Group; (ii) loss arising from change in fair value of the financial assets at fair value through profit or loss ("**FVTPL**"); and (iii) an increase in finance cost due to increase in borrowings and lease liabilities during the year ended 31 March 2020.

OUTLOOK

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of the COVID-19 in early 2020 has created economic uncertainty to Hong Kong and imposed negative impacts on the foundation industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government. Looking ahead, the Group will adhere to prudent financial management in project selection and cost control. The Group will continue to obtain additional qualifications and strengthen its financial resources to position itself to tender for suitable projects as a foundation contractor, and invest in the manpower and information system to enhance its operational capacity and efficiency 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.

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 2020, 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 29 to 52 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 2020 was approximately HK$87.0 million, representing a decrease by approximately 42.9% from approximately HK$152.5 million for the year ended 31 March 2019, which was primarily attributable to delay in progress of certain projects and lower value of contracts awarded to the group.

Cost of sales

The Group's cost of sales for the year ended 31 March 2020 was approximately HK$76.6 million, representing a decrease of approximately 44.8% from approximately HK$138.7 million for the year ended 31 March 2019, which was primarily due to decrease in direct costs, such as cost of construction from materials, subcontractor charge and transportation expense as a result of the decreasing construction activities of the projects undertaken during the year ended 31 March 2020.

Gross profit and gross profit margin

Due to the decrease in the Group's revenue, the Group's gross profit for the year ended 31 March 2020 were approximately HK$10.4 million, representing a decrease of approximately 24.6% from approximately HK$13.8 million for the year ended 31 March 2019.

The Group's gross profit margin increased from approximately 9.0% to 11.9% for the year of comparison. Such increase was primarily contributed by increase in gross profit margin of certain projects undertaken during the year ended 31 March 2020.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2020 were approximately HK$14.9 million, representing an increase of approximately 5.0% from approximately HK$14.2 million for the year ended 31 March 2019. Administrative expenses primarily consisted of staff costs, advisory fees, legal and professional fee and other administrative expenses. The increase was mainly attributable to increase in legal and professional fee.

Loss for the year

For the year ended 31 March 2020, the Group recorded a loss attributable to owners of the Company of approximately HK$12.6 million as compared to loss attributable to owners of the Company for the year ended 31 March 2019 of approximately HK$2.4 million. The loss attributable to owners of the Company was mainly due to (i) delay in progress of certain projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic and lower value of contracts awarded to the Group, resulting in the decrease in the Group's revenue and gross profit; (ii) loss arising from change in fair value of the financial assets at FVTPL; and (iii) an increase in finance cost due to increase in borrowings and lease liabilities during the year ended 31 March 2020.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

There has been no change in the capital structure of the Group since 16 October 2017 (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 2020, the Group had bank and cash balances of approximately HK$5.5 million (2019: approximately HK$15.3 million).

As at 31 March 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK$62.6 million (2019: approximately HK$75.2 million). As of the same date, the Group's total debts, comprising bank and other borrowings and lease liabilities, amounted to approximately HK$47.5 million (2019: approximately HK$28.4 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 2020, the Group had total debts (summation of bank and other borrowings and lease liabilities) of approximately HK$47.5 million (2019: bank and other borrowings and finance lease payables approximately HK$28.4 million). The Group's bank and other borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2020, the gearing ratio of the Group, which was defined as the total debts divided by the total equity, was approximately 75.9% (2019: approximately 37.8%).

FOREIGN EXCHANGE EXPOSURE

The revenue generating from operations and borrowings raised of the Group was mainly transacted in Hong Kong Dollars which are the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant disclosure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

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 2020, the Group has pledged its plant and machinery with an aggregate net book value of approximately HK$21.4 million (2019: approximately HK$20.2 million).

CONTINGENT LIABILITIES

As at 31 March 2020 and 2019, 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.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no material capital commitments (2019: Nil) contracted but not provided for property, plant and equipment.

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 2020, 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 2020.

INFORMATION ON EMPLOYEES

As at 31 March 2020, the Group had 98 full-time employees working in Hong Kong (2019: 66). The total staff costs, including Directors' emoluments and mandatory provident fund contributions, of the Group were approximately HK$34.1 million for the year ended 31 March 2020 (2019: approximately HK$33.3 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 32 to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: 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 2020 is set out below:

Business strategies as stated in the Prospectus and the Announcement	Business objectives up to 31 March 2020 as stated in the Prospectus and the Announcement	Actual business progress up to 31 March 2020
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 oscillator, 1 set of RCD rig 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 Group's awarded contracts, 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 2020, 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 2020 (HK$ million)	Actual use of proceeds up to 31 March 2020 (HK$ million)	Unutilised net proceeds up to 31 March 2020 (HK$ million)
Expansion of the Group's scope of services	**8.4**	7.6	0.8
Expansion of the Group's capacity	**17.3**	16.7	0.6
General working capital	**2.7**	2.7	–
Total	**28.4**	27.0	1.4

As at 31 March 2020, approximately HK$27.0 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus and the Announcement. Such amounts are expected to be fully utilised during the year ended 31 March 2021. However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market conditions to attain sustainable business growth of the Group.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 36 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tang Kwai Leung Stanley (湯桂良)

Mr. Tang Kwai Leung Stanley ("**Mr. Tang**"), aged 51, 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 22 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 53, 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 28 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chung Chuen George (張宗傳)

Mr. Cheung Chung Chuen George ("**Mr. Cheung**"), aged 46, 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 18 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 50, 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 22 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.

Biographical Details of Directors and Senior Management

Mr. Leung Wai Hung (梁偉雄)

Mr. Leung Wai Hung ("**Mr. Leung**"), aged 52, 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 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.

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 extensive 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 (now known as Shoucheng Holdings 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). He is also an independent non- executive director of Fineland Real Estate Services Group Limited ("**Fineland**") (stock code: 9978). Fineland is a listed company on GEM of the Stock Exchange since 15 November 2017 and transfer of listing from GEM to the Main Board on 28 May 2020.

SENIOR MANAGEMENT

Mr. Che Ping Hin (謝秉軒)

Mr. Che Ping Hin ("**Mr. Che**"), aged 37, joined the Group in March 2018. He is currently appointed as project manager and responsible for the day to day management and safety of the projects of the Company.

Mr. Che obtained a higher diploma in Structural engineering from HKIVE(TY) in September 2003. Mr. Che has approximately 17 years of experience in engineering and construction project management.

Prior to joining the Group, Mr. Che worked as a project manager for various projects under his employments with different companies.

Mr. Che first got into the industry in April 2004 through working for Baily Construction and Engineering Limited as an assistant engineer. He worked there until September 2006, he then worked for Bluet Hydroseeding Limited as a project manager from October 2006 to July 2011. Later on, he worked for Salotto (China) Limited from August 2011 to December 2013. He then worked for Hon Fung Engineering Limited as a project manager from December 2013 to February 2018.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏)

Ms. Yim Sau Ping ("**Ms. Yim**"), aged 37, 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 12 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 GOVERNANCE 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 2020, 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 5.68 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 the date of 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 12 to 15 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. Chui and Mr. Law will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 28 August 2020. 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. Chui as executive Director, Mr. Law 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 2020, 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 2020, 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 three 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 2020. 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, 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 2020 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 2020 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. During the year, 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 26 June 2020. The forthcoming annual general meeting will be held on 28 August 2020.

The information below are details of all Directors' attendance at the Board meeting and Board committees' meeting held for the year ended 31 March 2020:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2019 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors					
Mr. Tang	7/7				1/1
Mr. Chui	7/7				1/1
Independent non-executive Directors					
Mr. Cheung	6/7	4/4	1/1	1/1	1/1
Mr. Law	6/7	4/4	1/1	1/1	1/1
Mr. Leung	7/7	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 2020, 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.

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$0.65 million and HK$0.16 million respectively for the year ended 31 March 2020.

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:

- defines 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 2020 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 2020 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 branch 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 2020.

Environmental, Social and Governance Report

ABOUT THE REPORT

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 sustainable 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 establishes an ESG Taskforce (the "**Taskforce**") that comprises of the core members from different departments and responsible for collecting relevant information on our ESG aspects for preparing the ESG Report. The Taskforce reports to the Board and 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, and assumes the overall responsibility for our ESG reporting. 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 sets and oversees the ESG strategy of the Group. It is also the responsibility of the Board to ensure 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 from its companies and subsidiaries under the Group's direct operational control. The Group will expand the scope of disclosures when and where applicable. The KPIs shown in the ESG Report are supplemented by explanatory notes to establish benchmarks and detail its management approach in both environmental and social aspects, which can be found throughout different sections of this ESG Report.

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 16 to 28 for the section "Corporate Governance Report" contained in this annual report.

REPORTING PERIOD

The ESG Report describes the ESG activities held, challenges faced and measures taken by the Group during the year ended 31 March 2020 ("**FY2019/2020**").

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views in relation 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 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	• Training, seminars and briefing sessions • Regular performance reviews • Emails, notice boards, hotline, caring activities with the management
Suppliers and subcontractors	• Win-win collaboration • 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 local economic development	• Supervision on the compliance with local laws and regulations
Media, NGO (Non-Governmental Organisation) and the public	• Involvement in the communities • Business compliance • Environmental protection awareness	• Media conferences and responses to enquiries • Public welfare activities • ESG Report

MATERIALITY ASSESSMENT

The management and the 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, identifying relevant ESG issues and prioritising the relevant ESG matters that are significant to our businesses and stakeholders. Based on the assessment of ESG issues within the Group, an information collection questionnaire with questions emphasising the areas that were highlighted in the topic prioritisation process was prepared for data collection in various departments and business divisions of the Group.

According to the evaluation of the Group's business in relation to a wide range of ESG topics, the Group has pinpointed the ESG issues that are relevant and material to the Group's sustainable development, of which its management approaches are detailed in this ESG report.

- ➢ Air and GHG Emissions Control
- ➢ Paper Management
- ➢ Energy Management
- ➢ Recruitment and Promotion
- ➢ Occupational Health and Safety Management
- ➢ Employee Development and Training
- ➢ Community Investments

In FY2019/2020, the Group set up appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents were in compliance with the requirements of the ESG Reporting Guide.

Stakeholders' Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment. Readers are also welcomed to share their views on the ESG matters with the Group via:

Postal address: Room 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, N.T., Hong Kong

Email: tf@tfcel.com.hk

A. ENVIRONMENTAL SUSTAINABILITY

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 has complied with all relevant environmental laws and regulations in Hong Kong and Macau during its daily operations. The office and all construction sites of the Group have implemented effective measures for energy conservation to reduce emissions and improve the efficiency of resource consumption. To enhance our environmental governance practice and mitigate the environmental impacts generated by the Group's operations, we have adopted and implemented relevant environmental principles and communicated such principles with our employees. The effective implementation of these principles has strengthened the waste management as well as emission mitigation with an objective of minimising the adverse environmental impacts of the Group, and ensured that the emissions and wastes from the Group's business operations can be handled in an eco-friendly manner.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2019/2020. During the year under review, the Group abided by the relevant and material environmental laws and regulations in the operating regions, including but not limited to the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Cap. 499 of the Laws of Hong Kong), Macau Environmental Law (2/91/M), Decree-Law no. 54/94/M (Macau) and Decree-Law no. 46/96/M (Macau).

Air and GHG Emissions

Air Emissions

Given the business nature of the Group, the air emissions of the Group were mainly from the daily operations of onsite machinery and vehicles for business affairs and transportation in FY2019/2020. During the year under review, the Group strengthened its monitoring and measurements on the amount of air emissions generated from both onsite machinery and on-road vehicles, in order to further its compliance with the regulatory requirements in ESG reporting.

Key Performance Indicator (KPI)[Note 1]	Unit	Amount in FY2019/2020
Sulphur Oxides (SO_X)	Kg	**18.65**
Nitrogen Oxides (NO_X)	Kg	**30,629.46**
Particulate Matter (PM)	Kg	**1,975.42**
Total air emissions	Kg	**32,623.53**

Note:

1. Air emissions included the air pollutants in the exhaust gas from onsite machinery and vehicles for business operations.

In the pursuit of an eco-friendly business model, the Group has made an effort in its vehicle management and the upgrade of the construction equipment towards better performance in energy efficiency. In FY2019/2020, the Group proactively took a variety of effective measures to lower its air emissions as much as possible, including:

- Wet by spraying water on the dusty areas such as the stockpile of dusty materials and during demolition work, excavation or earth moving activities and loading and unloading process;
- Provide effective dust screens, sheeting or netting to enclose any scaffolding built around the perimeter of the building;
- Shelter any stockpile of dusty materials; and
- Cover and secure all loads on vehicles before leaving the site.

The Group has also been committed to enhancing its employee's awareness of air emission control through education and the implementation of internal policies.

GHG Emissions

As a foundation contractor in the realm of bored pilling construction, the Group's daily operations mainly rely on the consumption of various types of fossil fuels and electricity. Despite a quite limited impact on the environment and natural resources, the Group is deeply aware of its role in GHG mitigation and, therefore, has stepped up its efforts to formulate effective internal policies that regulate the operational practice as well as to encourage its employees to act together on energy conservation during operations.

The major GHG emissions of the Group were generated from the combustion of gasoline and diesel for cars, light and heavy vehicles (Scope 1), acetylene (Scope 1) and the purchase and usage of electricity (Scope 2) for operation and transportation purposes. The Group has actively adopted electricity conservation and energy-saving measures to cut its GHG emissions. The specific policies and actions taken by the Group are further described in the subsections headed "Electricity Management" and "Energy Management" below.

In FY2019/2020, the total GHG emissions from Scope 1 and Scope 2 of the Group and the intensity are as follows:

Key Performance Indicator (KPI) Note 1	Unit	Amount in FY2019/2020 Note 2	Amount in FY2018/2019 Note 2	Amount in FY2017/2018 Note 2
Direct GHG emissions (Scope 1)	tCO_2e	**3,088.09**	2,863.79	3,436.39
Indirect GHG emissions (Scope 2)	tCO_2e	**24.46**	4.22	4.06
Total GHG emissions (Scope 1 and Scope 2)	tCO_2e	**3,112.55**	2,868.01	3,440.45
Intensity (Total) Note 3	tCO_2e/employee	**31.8**	43.45	53.76

Notes:

1. The data of GHG emissions is presented in terms of carbon dioxide equivalent and based on, but not limited to, the "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories, the latest released emission factors of CLP Power Hong Kong Limited and the "Global Warming Potential Values" from IPCC Fifth Assessment Report, 2014 (AR5);

2. The direct GHG emissions (Scope 1) in FY2019/2020 included the emissions from the combustion of gasoline, diesel and acetylene as the Group kept expanding its reporting scope, while in FY2018/2019 and FY2017/2018 the direct GHG emissions (Scope 1) only included the emissions from the combustion of gasoline and diesel;

3. As at 31 March 2020, the Group had 98 full-time employees in total and the intensity in FY2019/2020 was calculated by dividing the amount of total GHG emissions by the Group's number of full-time employees in FY2019/2020. The intensities in FY2018/2019 and FY2017/2018 were obtained from the ESG Reports of the Group in respective years.

Due to the unremitting efforts in GHG emissions control, the GHG emission intensity of the Group declined by around 26.8% in FY2019/2020 compared with the figure in FY2018/2019. The slight increase of GHG emissions from Scope 1 was primarily due to the rising consumption of diesel fuels for onsite operations, to which the Group will pay more attention in its internal management in the future.

Waste Management

Hazardous waste handling method

Given the business nature, the Group did not generate hazardous wastes in FY2019/2020 and strictly complied with the relevant laws and regulations in waste management including the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong). According to the regulatory requirements, the Group has set up guidelines that supervise and manage the disposal of wastes. In case there are any hazardous wastes which might be produced on site, the Group has engaged a certified waste collector to handle the wastes.

Non-hazardous waste handling method

The Group has established internal policies that emphasise the "3R Principle" of "Reduce, Reuse and Recycle" in daily operations, to facilitate the efficient utilisation of natural resources. The Group is committed to cultivating 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 treat the onsite solid wastes and launched many reduction initiatives both in its bored pile construction site and office.

Bored Pile Construction Business

In FY2019/2020, the major solid waste of the Group came from the bored pile construction operations that generated excess mud on site. In accordance with the relevant laws and standards, the Group scientifically treated and disposed of the excess mud and other construction wastes in FY2019/2020. The certified waste collector normally transports 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 the place where backfilling is needed. The recyclable wastes are sorted and collected before being transported to the recycling station for treatment and reuse.

Office

The solid waste generated from the Group's offices was mainly domestic and commercial waste in FY2019/2020. To efficiently manage the waste, the Group has adopted a centralised rubbish bin for the collection of solid waste in the office. The waste is collected and handled by the property management of the building regularly and disposed of by relevant municipal departments. The Group is committed to environmental protection in its office and to reduce the generation of solid waste, the Group has implemented the following practices:

- Recycle as much solid waste as possible through the classification approach;
- Educate all employees to reduce the use of disposable items such as plastic tableware;
- Purchase microwaves in offices to encourage employees to take own lunch boxes instead of ordering takeaway food;
- Advocate the reuse of office stationeries and file folders; and
- Provide glass cups to clients and guests instead of disposable ones.

Here is the amount of major non-hazardous wastes generated by the Group in FY2019/2020:

Key Performance Indicator (KPI)	Unit	Amount in FY2019/2020 Note 1	Amount in FY2018/2019 Note 2	Amount in FY2017/2018 Note 2
Solid waste	tonnes	**48,519.00**	12,941.80	21,032.00
Solid waste intensity Note 3	tonnes/employee	**495.09**	196.09	328.63

Notes:

1. In FY2019/2020, following the principle of Materiality in the report preparation, the amount of solid waste mainly included the mud generated at construction sites;
2. The amount of solid waste and solid waste intensities in FY2018/2019 and FY2017/2018 were obtained from the ESG Reports of the Group in respective years; and
3. As at 31 March 2020, the Group had 98 full-time employees in total and the intensity in FY2019/2020 was calculated by dividing the amount of solid waste by the Group's number of full-time employees in FY2019/2020.

Given the business nature, the excess mud from the construction work has been regarded as the major solid waste. In FY2019/2020, the total amount of mud generated the Group was recorded and measured monthly based on the carrying capacity of trucks for transportation. The Group will continue to concentrate its efforts on its management of onsite solid waste in the future and establish a benchmarking system that tracks our environmental performance at construction sites and allows us to better compare our performance in mud treatment.

Paper Management

Office

One of the main natural resources consumed by the Group was paper for administrative operations in FY2019/2020. To minimise the use of paper, the Group has put great efforts into the implementation of the 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 the concept of '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;
- Advocate 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 office stationery whenever possible.

Wastewater Management

Bored Pile Construction Business

In FY2019/2020, the bored piling construction business generated bored piling and drilling sewage. The Group has deployed wastewater treatment facilities on site to treat the sewage and ensures that it meets the requirements of the Water Pollution Control Ordinance (WPCO) license prior to the discharging process. Also, the experimental tests on the quality of wastewater such as pH levels are conducted to ensure that the discharging wastewater meets the regulatory requirements. Specifically, to lower the wastewater impact on the environment, especially the quality of the ocean and its biodiversity, a sedimentation tank for wastewater treatment has been set up to treat the muddy water from the operational process, during which the chemicals such as coagulants are added to enhance the sedimentation efficiency. The Group has been licensed for the discharge of wastewater from construction sites 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 domestic wastewater generated from the Group's offices was 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 Management", to reduce its water consumption.

Here is the amount of major non-hazardous wastewater generated by the Group in FY2019/2020:

Key Performance Indicator (KPI)	Unit	Amount in FY2019/2020 Note 1	Amount in FY2018/2019 Note 2	Amount in FY2017/2018 Note 2
Non-hazardous wastewater	tonnes	**10,282**	35,770	54,139
Non-hazardous wastewater intensity Note 3	tonnes/employee	**104.92**	541.97	845.92

Notes:

1. In FY2019/2020, the total amount of wastewater was based on the assumption that 100% of the freshwater that was consumed by the Group entered the drainage system;
2. The amount of non-hazardous wastewater and non-hazardous wastewater intensities in FY2018/2019 and FY2017/2018 were obtained from the ESG Reports of the Group in respective years; and
3. As at 31 March 2020, the Group had 98 full-time employees in total and the intensity in FY2019/2020 was calculated by dividing the amount of non-hazardous wastewater by the Group's number of full-time employees in FY2019/2020.

The decline in wastewater amount of 25,488 tonnes or 71.3% from 35,770 tonnes in FY2018/2019 to 10,282 tonnes in FY2019/2020 was mainly due to more construction projects of the Group being outsourced to main contractors who held the responsibility for the wastewater management.

A2. USE OF RESOURCES

General Disclosure and KPIs

The Group has been dedicated to taking initiatives to introduce resource efficiency and eco-friendly measures to its daily work and optimising the use of resources in all of its business operations.

During the operations, the Group mainly consumed electricity, gasoline, diesel, acetylene, water, paper and raw materials in FY2019/2020. The Group did not consume a significant amount of packaging materials during the year under review. As mentioned in Section A1, the Group has adopted a range of measures and brought in many internal policies in energy and resource conservation such as plans and practices in saving water, electricity and improving energy efficiency.

Electricity Management

Bored Pile Construction Business

The electricity was mainly consumed for the operation of electrical equipment and machinery at construction sites during the bored piling works. All construction sites of the Group have stringently complied with relevant regulations and the Group's policy of electricity conservation. To ensure the 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 lunchtime);
- Place "Save electricity and turn off the light when you leave please" posters on site to encourage workers to conserve energy;
- Install timers connecting all the electrical equipment in the public area; and
- Maintain and repair the facilities and machinery at construction sites regularly.

Office

To mitigate the consumption of electricity which is proportionally linked to the generation of 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;
- Replace traditional bulbs with LED lights for office lighting;
- Regulate all staff to turn off their laptops and computers after work;
- Maintain the office equipment (such as refrigerator, air conditioner, paper shredder) regularly to maintain high efficiency; and
- Encourage all employees to open curtains and utilise the natural sunlight for lighting in the office when possible.

Energy Management

Bored Pile Construction Business

The bored pile construction business used gasoline, diesel and acetylene for onsite operations and transportation. The Group is committed to diminishing its use of fossil fuel for transportation, thereby encouraging its employees to take public transport instead of driving to work and to make use of the electronic device for e-meetings to avoid unnecessary travelling. The Group has also paid great attention to the energy efficiency performance of onsite machinery during procurement and particularly given priority to the equipment with the Green Label issued by the Environmental Protection Department of Hong Kong according to the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

The relevant measures taken by the Group to manage its energy consumption are as follows:

- Compare the performance of energy consumption and air and GHG emissions of piling machines and other machinery for the foundation works during the procurement;
- Stick to the requirements set out in relevant environmental regulations and standards released by the Environmental Protection Department of the Government of Hong Kong Special Administrative Region, such as controls and requirements of the Non-Road Mobile Machinery (NRMM) Regulation;
- Encourage its employees to consider 'low-carbon lifestyle' and choose public transport over driving private cars; and
- Strengthen the education of environmental protection among employees who are expected to build up knowledge of energy conservation in both daily lives and work.

Office

The Group's offices mainly consumed electricity, water and paper for its daily operations. The employees in the office have been highly encouraged to lay emphasis on the appropriate usage of natural and energy resources and to take effective steps to lower their carbon footprint.

Here is the amount of various energy resources that were consumed by the Group in FY2019/2020:

Key Performance Indicator (KPI)	Unit	Amount in FY2019/2020	Amount in FY2018/2019	Amount in FY2017/2018
Gasoline Note 1	litres	**60,949.00**	62,097.00	64,550.00
Gasoline Intensity Note 3	litres/employee	**632.93**	940.86	1,008.59
Diesel Note 2	litres	**1,102,960.00**	1,025,225.00	1,187,340.00
Diesel Intensity Note 3	litres/employee	**11,254.69**	15,533.71	18,552.19
Electricity	kWh	**37,059.00**	8,270.00	7,515.00
Electricity Intensity Note 3	kWh/employee	**378.15**	125.30	117.42
Acetylene	tonnes	**4.85**	4.89	17.50
Acetylene Intensity Note 3	tonnes/employee	**0.05**	0.07	0.27

Notes:

1. Conversion is in reference to the conversion provided on U.S. Energy Information Administration Energy Conversion Calculators, the gasoline consumption was equivalent to 567,824.00 kWh;

2. Conversion is in reference to the conversion provided on U.S. Energy Information Administration Energy Conversion Calculators, the diesel consumption was equivalent to 11,731,337.36 kWh; and

3. As at 31 March 2020, the Group had 98 full-time employees in total and the intensities in FY2019/2020 were calculated by dividing the amount of gasoline, diesel, electricity and acetylene by the Group's number of full-time employees in FY2019/2020, respectively.

In FY2019/2020, the Group focused its efforts on improving energy efficiencies and made solid progress. Specifically, the gasoline consumption of the Group descended by 1.8% approximately in FY2019/2020 as compared with the figure in FY2018/2019 and the intensity experienced a drastic decline due to the increasing number of employees as at the end of FY2019/2020. While the usage of diesel ascended moderately, its intensity dropped significantly in FY2019/2020. As for the consumption of acetylene, the Group furthered its reduction of acetylene at construction sites in FY2019/2020 from 4.89 to 4.85 tonnes with the intensity declining by around 28.6%.

Water Management

Bored Pile Construction Business

Water has been one of the most important natural resources for the Group's bored piling works. The Group has long been committed to water conservation in its daily operations and in FY2019/2020, the Group did not face any problem in sourcing water. During the year under review, the Group organised several meetings and discussions about the application of feasible and innovative ways of saving water in all its construction sites. Further, all construction sites of the Group have been strongly incentivised to reuse as much wastewater as possible on site. To 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 tanks;
- Require employees to strictly conform to the Group's water-saving policy; and
- Advocate the importance of saving water among employees.

Office

The employees in the office have also endeavoured to reduce water consumption. In addition to educational seminars and activities that encourage its staff to reduce, reuse and recycle water resources, the Group has particularly focused on the management of details around water conservation. For instance, employees in the office have been encouraged to control the amount of flushing water appropriately and to fully implement the principle of "Saving Water" in their daily lives.

Here is the amount of water consumed by the Group in FY2019/2020:

Key Performance Indicator (KPI)	Unit	Amount in FY2019/2020	Amount in FY2018/2019 Note 1	Amount in FY2017/2018 Note 1
Water	m^3	**10,281.60**	47,374.60	62,871.00
Water intensity Note 2	m^3/employee	**104.92**	717.80	982.36

Notes:

1. The amount of water and water intensities in FY2018/2019 and FY2017/2018 were obtained from the ESG Reports of the Group in respective years; and

2. As at 31 March 2020, the Group had 98 full-time employees in total and the intensity in FY2019/2020 was calculated by dividing the amount of water by the Group's number of full-time employees in FY2019/2020.

In FY2019/2020, the water consumption of the Group continued to drop with 37,093 tonnes or 78.3% decrease being noticed. The substantial fall was due to the main contractor holding the responsibility for water management and part of its subcontractors not being required to provide information about the freshwater supply from the Water Supplies Department.

Use of Packaging Materials

Due to its business nature, the Group did not consume a significant amount of packaging materials during its daily operations in FY2019/2020.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

General Disclosure and KPIs

The core business of the Group has limited impacts on the environment and natural resources due to its relentless efforts to create a resource-saving and environmentally friendly corporation. The emissions of air and GHG, solid waste, wastewater and noise were all in conformity with related environmental laws and regulations in FY2019/2020. To further eliminate its possible impacts on the environment, the Group has applied more innovative and effective environmental measures in daily operations.

Consumption of Natural Resources

As an enterprise specialising in bored piling works as well as other foundation works, it is inevitable for us to consume various natural resources. The Group strives to utilise resources effectively and mitigate the potential environmental impacts resulted from resource consumption. The raw materials consumed by the Group in FY2019/2020 are shown below:

Key Performance Indicator (KPI)	Unit	Amount in FY2019/2020	Amount in FY2018/2019 Note 1	Amount in FY2017/2018 Note 1
Steel	tonnes	**454.61**	1,036.60	1,540.00
Steel intensity Note 2	tonnes/employee	**4.64**	15.71	24.06
Concrete	tonnes	**1,084.30**	2,276.99	485.00
Concrete intensity Note 2	tonnes/employee	**11.06**	34.50	7.58

Notes:

1. The amount of steel and concrete and their intensities in FY2018/2019 and FY2017/2018 were obtained from the ESG Reports of the Group in respective years; and

2. As at 31 March 2020, the Group had 98 full-time employees in total and the intensity in FY2019/2020 was calculated by dividing the amount of steel and concrete by the Group's number of full-time employees in FY2019/2020.

In FY2019/2020, the Group's consumption of both steel and concrete materials declined in varying degrees when compared with the figures in FY2018/2019 as the Group has strengthened its procurement management and continued to find better solutions to optimise its operational procedures.

Noise Management

Noise emissions generated by the Group mainly came from the operations of the machinery and equipment during the bored pile construction process in FY2019/2020. The Group was in strict compliance with the Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong) and only used certain equipment within the permitted time period. The Group has installed myriads of noise-reducing facilities to mitigate the effect of noise on the surroundings. For instance, the construction noise barrier has been widely adopted in the construction site to reduce the noise effectively. To further control the noise at source, the Group has made full use of the shock pads on crushing and the real-time sound monitoring equipment and prioritised the equipment with QPME Label that is new, notably quieter, more environmentally friendly and efficient in the procurement.

B. SOCIAL SUSTAINABILITY

B1. EMPLOYMENT

General Disclosure

The Group treasures employee's talent and sees it as the key to 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 adheres to the applicable employment laws and regulations, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and Employees' Compensation Ordinance (Cap. 282 of the Laws of 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 FY2019/2020, the Group was in 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 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 refers to market benchmarks in determining its remuneration and benefits policies. As talent retention is vital to 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 the Group's internal policies, such as the Staff Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those whose working performance is not up to par or who 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 proper working hours and rest time for its employees. Specifically, the Group has installed the attendance management system that keeps monitoring its employee's working hours and compensates those who work overtime with extra 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 training and promotion opportunities, dismissals and retirement policies are all based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements. The Group has followed the requirements in the Staff Handbook that sets out terms and conditions of employment, the expectation for employees' conducts and behaviours and employees' rights and benefits. We have set up and implemented relevant policies that promote a harmonious and respectful workplace. Aiming to ensure the fairness and equality in the workplace, the Group adopted zero-tolerance policies towards sexual harassment or abuse in the workplace in any form according to laws and regulations including the Disability Discrimination Ordinance (Cap. 487 of The Laws of Hong Kong) and the Sex Discrimination Ordinance (Cap. 480 of The Laws of Hong Kong).

Other benefits and welfare

The Group provides employment injury insurance and offers 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, examination subsidy and vacation for external training. During some traditional Chinese festivals, employees may also receive 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 long-term competitiveness and success. The recreational committee established by the Group normally organises various events for employees on a regular basis. In FY2019/2020, the Group arranged an annual dinner and entertaining activities for all the employees to celebrate festive events like Christmas.

As a construction contractor, the Group puts its employees in the first place and is always dedicated to adopting an employee-oriented good human resource management practice, which, in turn, has brought the Group numerous awards, praises and good recognition in the construction industry.

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 the general safety rules, which are in line with relevant laws and regulations, including but not limited to the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), Factories and Industrial Undertakings Ordinance (Cap. 59 of the Laws of Hong Kong), General Construction Works Regulation (Macau), Fire Safety Regulation (Macau), Foundation Works Regulation (Macau), Rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments (Macau), 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 the Occupational Health and Safety Management (OHSAS 18001:2007). Specifically, project supervisors, engineers, managers and safety officers are responsible for conducting relevant risk assessment before construction and need to implement measures strictly during the construction process. Also, the corporate Occupational Safety and Health Policy came into effect in 2016, which outlined the basic principles of the Group's practices 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 during implementation.

In FY2019/2020, the Group was in compliance with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that may 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 is carried out and relevant safety training courses are provided for workers and subcontractors, 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 emergencies and equipment malfunction. Safety officers are required to conduction an inspection tour every three months in order to ensure that the operations in the construction site are fully in compliance with relevant standards, policies and laws.

Occupational Safety and Health Training

To ensure that all workers and contractors attend compulsory safety training courses, 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 ensure 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 training. The Group also offers a complete induction training package to all new employees, such as Group's corporate culture, business processes, health and safety, first aid treatment and other 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 and portable electric tools and hand tools. As for the experienced employees, non-scheduled profession-oriented courses are offered according to corporate and individual needs. Through the provision of different types of training programmes, the Group tries to make sure that all its employees possess the necessary professional knowledge to complete their daily tasks and can meet 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 qualification examinations and external training is highly encouraged and promoted. Employees who take the professional qualification examinations and obtain vocational qualification certificates could receive reimbursement from the Group. Meanwhile, the Group also invites external organisations and experts to provide relevant training courses to its employees. The training content covers a variety of topics, including accounting, regulatory affairs, finance, and construction engineering. In FY2019/2020, two directors of the Group participated in a one-hour training course.

B4. LABOUR STANDARDS

General Disclosure

Prevention of Child Labour and Forced Labour

Child and forced labours are strictly prohibited during the recruitment process according to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and Macau Labour Regulations Law. To combat illegal employment on child labour, underage workers and forced labour, the Group's Human Resources Department requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to the confirmation of any employment. The Human Resources Department is responsible for monitoring and ensuring the compliance of corporate policies and practice with the latest laws that prohibit child labour and forced labour, eliminating the risk of illegal recruitment. Once any violation of the labour standards is found, the Group will take immediate actions by terminating the employment contract and the relevant staff responsible for the recruitment will be penalised.

In FY2019/2020, the Group was in compliance with the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

B5. SUPPLY CHAIN MANAGEMENT

General Disclosure

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

Supply Chain Management Structure

To ensure that the suppliers and sub-contractors meet customers' and the Group's requirements regarding product and service quality and the compliance with relevant environmental and safety standards, the Group has formulated internal policies and stringent procedures in selecting suppliers and subcontractors. Suppliers' and contractors' environmental and social performances are considered as important criteria for supplier selection and the foundation of building long-term partnerships. The project director generates, approves and maintains a 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 the works performed by subcontractors are checked and monitored regularly by the relevant departments of the Group. Suppliers and sub-contractors will be suspended or removed from the approved list should they be found not to comply with Group's standards. The collaboration relationship is also terminated once any serious violation of environmental and labour laws and regulations is discovered by the Group. The Group conducts a comprehensive evaluation of the suppliers' performance and quality 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 was in strict compliance with relevant rules and regulations stipulated by the government of Hong Kong and the government of Macau in FY2019/2020. The Group has also established an internal quality management system according to the standard of Quality Management Systems Standard (ISO 9001:2008). Specifically, once any complaints filed by its clients are received, the quality control department 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 the leased machinery. The Group will negotiate with relevant companies immediately, handle the complaints according to the contract efficiently and solve the problem in a way that satisfies each party. Through such a strict series of procedures, the Group has been committed to strengthening its ability of dealing with various types of complaints in the future and striving to prevent the similar problem from occurring again, thereby remaining competitive in the market.

In FY2019/2020, the Group was not in violation of material relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group.

Quality Management System

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 the foundation works.

Customer Privacy Protection

The Group lays 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 (Cap. 486 of The Laws of Hong Kong), 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. The Group prohibits the provision of consumer information to a third party without the authorisation of its customers. All collected personal data is treated confidentially, kept securely and accessible by designated personnel only. The information technology department has set obstructions between office and commercial network to prevent unauthorised data use, exportation and copy. Through the internal training and confidential agreements signed with its employees, the Group stresses the conformance with confidentiality obligations and the legal consequences of the breaches of obligations among its employees.

Intellectual Property Rights

In terms of the protection of the Group's intellectual property rights, the Group has implemented the following policies in particular:

- The documentation rooms with commercial secrets are set as confidential areas where non-related personnel cannot enter and isolated from the ordinary area of operation;
- In the employment contract, it has been agreed upon that when the staff with significant influence on 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 any external business activities, the Group needs to request a confidential agreement with other parties if necessary.

As a construction contractor, the Group puts its product and service responsibility in the first place and is invariably dedicated to providing high-quality and reliable service to its customers.

Advertising and Labelling

The Group has attached great importance to its marketing practices and strongly prohibits the publication of misleading advertising content with false descriptions, claims or illustrations about the Group and its products and services. In accordance with the relevant legislation and code of practices, the Group has formulated the sales and promotion guidelines to ensure that its advertisements and marketing materials are unbiased and insist on disclosing accurate information to the customers. Given the business nature, labelling is not applicable to the Group's business operations and therefore not discussed in the ESG report.

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 FY2019/2020, the Group was in compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong), Prevention and Suppression of Bribery in the Private Sector (PSBPS) and Penal Code in Macau.

Anti-corruption

The Group prohibits all forms of bribery and corruption and requires all its 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 FY2019/2020, the Group collaborated with Independent Commission Against Corruption ("**ICAC**") to formulate anti-corruption plans for corporations. Also, the Group requires the management to attend seminars and training programmes provided by ICAC and resolve to root out all corruption in the Group.

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 suspect 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 the criminality is confirmed in the Group, 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 has been committed to building a sound relationship with community members through social participation and contribution as part of its strategic development, and to developing a corporate culture that aligns the Group's business development with the prosperity of local communities. The Group aims to promote the stability of the society and help the underprivileged on rehabilitation to improve their life quality. We also focus on inspiring our employees to participate in public welfare activities.

Community Investments

As a corporate citizen, the Group realises that it is of great importance to make 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 and building partnership with a great variety of charitable organisations such as "Food Angel by Bo Charity Foundation" and insisting on helping the vulnerable groups, especially the children in urgent need in the society.

In FY2019/2020, the Group was awarded the "Caring Company" as a compliment of its huge contribution, passion and perseverance in fulfilling its social commitments in the past. Looking ahead, the Group will remain steadfast in bringing positive impacts to the society as a responsible enterprise and endeavour to get involved in more meaningful philanthropic events and charitable activities that support those who need us.

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

Aspects	ESG Indicators	Description	Section/Declaration
A. Environmental			
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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
	KPI A1.1	The types of emissions and respective emission data.	Emissions — Air and GHG Emissions, Waste Management, Paper Management, Wastewater Management
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Air and GHG Emissions
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — Explained
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions — Air and GHG Emissions, Waste Management, Paper Management, Wastewater Management
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management, Paper Management

Aspects	ESG Indicators	Description	Section/Declaration
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	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Electricity Management, Energy Management
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Water Management
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Electricity Management, Energy Management
	KPI A2.4	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	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — Explained
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Consumption of Natural Resources, Noise Management
B. Social			
Employment and Labour Practices			
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, anti-discrimination, 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

Aspects	ESG Indicators	Description	Section/Declaration
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
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
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
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management — Supply Chain Management Structures
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
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
Community			
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

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

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 18 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 five financial years is set out on page 130 of this annual report. This summary does not form part of the audited consolidated financial statements of this annual report.

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.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 March 2020 and the financial position of the Company and of the Group as at 31 March 2020 are set out in the consolidated financial statements on pages 70 to 129 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 28 August 2020 (the "**2020 AGM**"). For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 August 2020.

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 2020 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 2020 (2019: HK$Nil).

SHARE CAPITAL

Details of the Company's share capital is set out in note 29 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

Details of the Share Option Scheme is set out in note 32 to the consolidated financial statements.

For the year ended 31 March 2020, 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 31 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 TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 March 2020 are set out in note 35 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 2020, 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 2020, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 28%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 65%.

During the year ended 31 March 2020, the percentage of the Group's largest supplier was approximately 9% of the total direct costs for the year, while the percentage of the Group's five largest suppliers accounted for approximately 29% 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. Chui and Mr. Law 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 12 to 15 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 2020 falls within the following band:

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

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 2020 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 35 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 2020.

MANAGEMENT CONTRACTS

As at 31 March 2020, 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 2020, 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 5.68 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 2020, 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 5.68 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 2020, 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other 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 2020, 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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 2020.

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 2020.

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 2020, 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 pages 16 to 28 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 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 March 2020 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.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2020 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, 26 June 2020

Independent Auditor's Report

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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 70 to 129, which comprise the consolidated statement of financial position as at 31 March 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (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 21 to the consolidated financial statements. As disclosed in note 7 to the consolidated financial statements, during the year ended 31 March 2020, the Group generated revenue of approximately HK$75,611,000 from construction contracts. As disclosed in note 21 to the consolidated financial statements, the carrying amounts of contract assets for contract work of approximately HK$18,807,000 (net of allowance for impairment loss of approximately HK$2,309,000) were recorded in the consolidated statement of financial position as at 31 March 2020.	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;

Key Audit Matter	How our audit addressed the Key Audit Matter
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 is performed, together with any provisions for expected contract losses. 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.	4. Assessing the reasonableness of contract revenue recognised by inspecting the certificate of completion stage issued by customers, and comparing with payment application prepared by the in-house surveyor; and 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 expected credit losses ("**ECL**")	Our audit procedures to assess the impairment of trade and retention receivables and contract assets in respect of ECL included the following:
Refer to notes 20 and 21 to the consolidated financial statements.	1. Assessing the external valuer's qualifications, experience and expertise and considering their objectivity and independence;
As disclosed in note 20 to the consolidated financial statements, as at 31 March 2020, the Group's trade and retention receivables amounted to approximately HK$48,432,000 (net of allowance for impairment loss of approximately HK$10,283,000). The trade and retention receivables which are past due but not impaired amounted to approximately HK$35,625,000. As disclosed in note 21 to the consolidated financial statements, the Group's contract assets amounted to approximately HK$18,807,000 (net of allowance for impairment loss of approximately HK$2,309,000).	2. Assessing whether trade and retention receivables and contract assets was appropriately grouped by management into categories with shared credit risk characteristics; 3. Testing on a sample basis the accuracy and completeness of the data used by management to develop historical loss rates and assessing the sufficiency, relevance and reliability of that data;
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.	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 2020, and subsequent progress billing after the financial year end relating to contract assets on a sample basis; and
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.	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 disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee 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
26 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	**86,999**	152,484
Cost of sales		**(76,606)**	(138,719)
Gross profit		**10,393**	13,765
Other income, gains/(losses)	8	**1,222**	4,353
Administrative expenses		**(14,895)**	(14,184)
Allowance for impairment loss of financial assets, net		**(6,750)**	(4,432)
Change in fair value of financial assets at fair value through profit or loss ("**FVTPL**")		**(1,573)**	–
Loss from operations		**(11,603)**	(498)
Finance costs	10	**(2,305)**	(1,239)
Loss before tax		**(13,908)**	(1,737)
Income tax credit/(expense)	11	**1,304**	(669)
Loss for the year attributable to owners of the Company	12	**(12,604)**	(2,406)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**(3)**	136
Other comprehensive income for the year, net of tax		**(3)**	136
Total comprehensive income for the year attributable to owners of the Company		**(12,607)**	(2,270)
Loss per share			
Basic and diluted (cents)	15	**(2.10)**	(0.40)

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**51,898**	60,489
Right-of-use assets	17	**8,683**	–
Financial assets at FVTPL	19	**8,427**	–
Total non-current assets		**69,008**	60,489
Current assets			
Trade and retention receivables	20	**48,432**	51,229
Contract assets	21	**18,807**	14,208
Deposits, prepayments and other receivables	22	**2,073**	4,336
Income tax recoverable		**159**	442
Bank and cash balances	23	**5,454**	15,250
Total current assets		**74,925**	85,465
Current liabilities			
Trade and retention payables	24	**21,067**	28,561
Accruals and other payables	25	**8,002**	7,408
Bank and other borrowings	26	**38,350**	25,907
Lease liabilities	27	**2,113**	–
Finance lease payables	27	**–**	765
Current tax liabilities		**32**	301
Total current liabilities		**69,564**	62,942
Net current assets		**5,361**	22,523
Total assets less current liabilities		**74,369**	83,012
Non-current liabilities			
Lease liabilities	27	**7,031**	–
Finance lease payables	27	**–**	1,750
Deferred tax liabilities	28	**4,722**	6,039
Total non-current liabilities		**11,753**	7,789
NET ASSETS		**62,616**	75,223
Capital and reserves			
Share capital	29	**6,000**	6,000
Reserves	31	**56,616**	69,223
TOTAL EQUITY		**62,616**	75,223

Approved by the Board of Directors on 26 June 2020 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 2020

	Attributable to owners of the Company					
	Share capital HK$'000 (note 29)	**Share premium** HK$'000 (note 31(b)(i))	**Merger reserve** HK$'000 (note 31(b)(ii))	**Foreign currency translation reserve** HK$'000 (note 31(b)(iii))	**Retained earnings** HK$'000	**Total equity** HK$'000
At 1 April 2018	6,000	36,581	22	118	40,953	83,674
Effect on adoption of HKFRS 9	–	–	–	–	(1,410)	(1,410)
Effect on adoption of HKFRS 15	–	–	–	–	(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 1 April 2019	**6,000**	**36,581**	**22**	**254**	**32,366**	**75,223**
Total comprehensive income for the year	**–**	**–**	**–**	**(3)**	**(12,604)**	**(12,607)**
Changes in equity for the year	**–**	**–**	**–**	**(3)**	**(12,604)**	**(12,607)**
At 31 March 2020	**6,000**	**36,581**	**22**	**251**	**19,762**	**62,616**

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(13,908)**	(1,737)
Adjustments for:		
Depreciation on property, plant and equipment	**12,459**	15,958
Depreciation on right-of-use assets	**2,375**	–
Finance costs	**2,305**	1,239
Addition of provision for annual leave	**(292)**	(9)
Release of lease liabilities	**(40)**	–
Written-off of right-of-use assets	**39**	–
Gain on disposals of property, plant and equipment	**–**	(3,928)
Loss on written-off of property, plant and equipment	**–**	28
Allowance for impairment loss of financial assets, net	**6,750**	4,432
Change in fair value of financial assets at FVTPL	**1,573**	–
Operating cash flows before working capital changes	**11,261**	15,983
Increase in trade and retention receivables	**(1,825)**	(24,004)
Increase in contract assets	**(6,727)**	(14,389)
Decrease in amounts due from customers for contract work	**–**	18,585
Decrease in deposits, prepayments and other receivables	**2,263**	3,651
(Decrease)/increase in trade and retention payables	**(7,494)**	9,942
Increase/(decrease) in accruals and other payables	**886**	(3,368)
Cash (used in)/generated from operations	**(1,636)**	6,400
Income taxes refunded/(paid)	**1**	(357)
Interest paid	**(2,305)**	(1,239)
Net cash (used in)/generated from operating activities	**(3,940)**	4,804

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(5,952)**	(15,665)
Proceeds from disposal of property, plant and equipment	**–**	6,800
Release of restricted bank deposits	**–**	3,000
Purchase of financial assets at FVTPL	**(10,000)**	–
Net cash used in investing activities	**(15,952)**	(5,865)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank and other borrowings raised	**29,277**	36,974
Repayments of lease liabilities	**(2,344)**	(661)
Repayments of bank and other borrowings	**(16,834)**	(37,220)
Net cash generated from/(used in) financing activities	**10,099**	(907)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,793)**	(1,968)
Effect of foreign exchange rate changes	**(3)**	136
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**15,250**	17,082
CASH AND CASH EQUIVALENTS AT END OF YEAR	**5,454**	15,250

Notes to the Consolidated Financial Statements

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 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong. The Company's shares were listed on 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 18 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 March 2020, 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 new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

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

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

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.87% per annum.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

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

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 34 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	881
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(601)
	280
Less: total future interest expenses	(8)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019	272
Add: finance lease liabilities recognised as at 31 March 2019	2,515
Lease liabilities recognised as at 1 April 2019	2,787
Of which are:	
Current lease liabilities	998
Non-current lease liabilities	1,789
	2,787

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 March 2019.

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

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

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of HKFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Note	**Carrying amount as at 31 March 2019**	**Re-classification**	**Re-cognition of leases**	**Carrying amount as at 1 April 2019**
		HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Right-of-use assets		–	2,084	272	2,356
Property, plant and equipment	(i)	60,489	(2,084)	–	58,405
Liabilities					
Lease liabilities		–	2,515	272	2,787
Finance lease payables	(ii)	2,515	(2,515)	–	–

Notes:

(i) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant asses which were still leased as at 1 April 2019 amounting to HK$2,084,000 as right-of-use assets.

(ii) The Group reclassified the obligation under finance leases of HK$765,000 and HK$1,750,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(c) Impact of the financial results and cash flows of the Group

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases under HKAS 17 as at 31 March 2019, the Group recognised right-of-use assets amounting to HK$2,356,000, including HK$272,000 of leased property and HK$2,084,000 of lease motor vehicles respectively. Lease liabilities of HK$2,515,000 were recognised with related right-of-use assets of HK$2,084,000 as at 31 March 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation on right-of-use assets and finance costs, instead of operating lease charges. During the year ended 31 March 2020, the Group recognised HK$2,375,000 of depreciation on right-of-use assets and HK$145,000 of finance costs from these leases.

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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 April 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 April 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 April 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

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.

(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, including buildings and held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), 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	33%

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

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

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

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

(i) The Group as lessee

Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

(i) The Group as lessee (Continued)

Policy applicable from 1 April 2019 (Continued)

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

(ii) The Group as lessor

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

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.

(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.

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.

— 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(m) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

— the amount determined in accordance with the ECL model under HKFRS 9 and

— the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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.

(p) 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 receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Interest income

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

(q) 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)

(q) 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.

(r) 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. Effective 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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;

— 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Significant increase in credit risk (Continued)

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.

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; or

— 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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.

(w) 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.

(x) 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. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 17 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

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 policy notes 4(f) and 4(p), 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.

During the year ended 31 March 2020, approximately HK$75,611,000 of revenue from construction contracts was recognised (2019: HK$131,829,000).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 March 2020 was approximately HK$51,898,000 (2019: HK$60,489,000) and approximately HK$8,683,000 (2019: nil) respectively.

(c) Impairment of trade and retention receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade 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 2020, the carrying amount of trade and retention receivables and contract assets is approximately HK$48,432,000 and HK$18,807,000 (net of allowance for impairment loss of approximately HK$10,283,000 and HK$2,309,000) respectively.

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.

(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 year ended 31 March 2020, approximately HK$1,304,000 of income tax was credited to profit or loss (2019: HK$669,000 charged to profit or loss) 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$, US dollar ("**US$**") 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.

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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade and retention receivables and contract assets (Continued)

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 2020:

Trade receivables	2020 Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	2.51	13,116	329
1–30 days past due	3.71	9,857	366
31–60 days past due	4.56	855	39
61–90 days past due	5.43	1,935	105
More than 90 days past due	22.79	28,360	6,462
		54,123	7,301

Retention receivables	2020 Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	16.67	24	4
Up to 3 months	24.67	227	56
Over 3 months and less than 6 months	26.47	102	27
Over 6 months	68.29	4,239	2,895
		4,592	2,982

Contract assets	2020 Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	10.93	21,116	2,309

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade and retention receivables and contract assets (Continued)

		2019	
Trade receivables	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'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

		2019	
Retention receivables	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'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

		2019	
Contract assets	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	1.26	14,389	181

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 historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables and contract assets.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade and retention receivables and contract assets (Continued)

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

	2020 HK$'000	2019 HK$'000
At 1 April	5,842	1,410
Impairment losses recognised for the year	7,231	4,432
Reversals	(481)	–
At 31 March	12,592	5,842

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 2020, there were 3 customers (2019: 2 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 32% of the Group's total trade and retention receivables as at 31 March 2020 (2019: 27%).

6. FINANCIAL RISK MANAGEMENT (Continued)

(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 2020	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	21,067	–	–	21,067	21,067
Accruals and other payables	7,515	–	–	7,515	7,515
Bank and other borrowings	38,350	–	–	38,350	38,350
Lease liabilities	2,351	2,080	6,410	10,841	9,144
	69,283	2,080	6,410	77,773	76,076

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

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 2020 and 2019, the aggregate undiscounted principal amounts of these bank and other borrowings with a repayment on demand clause amounted to approximately HK$38,350,000 and HK$25,907,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and the lenders will exercise their discretionary rights to demand immediate repayment.

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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 2020				
Contractual undiscounted cash flows	**21,425**	**9,195**	**10,224**	**40,844**
At 31 March 2019				
Contractual undiscounted cash flows	16,457	6,364	4,386	27,207

(d) Interest rate risk

The Group's lease liabilities and bank and other borrowings of approximately HK$26,119,000 (2019: HK$13,929,000) 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 2020, 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$92,000 lower (2019: HK$15,000 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$92,000 higher (2019: HK$15,000 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

	2020 **HK$'000**	2019 HK$'000
Financial assets:		
Financial assets at FVTPL	**8,427**	–
Financial assets at amortised costs (including cash and cash equivalents)	**73,082**	81,171
Financial liabilities:		
Financial liabilities at amortised cost	**76,076**	64,196

(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:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Construction contract income	**75,611**	131,829
Ancillary service income	**–**	2,719
Rental income from machinery	**11,388**	17,936
	86,999	152,484

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:

For the year ended 31 March	Construction contract income		Ancillary service income		Rental income from machinery		Total	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Primary geographical markets								
— Hong Kong	**73,504**	126,576	**–**	2,719	**11,388**	17,936	**84,892**	147,231
— Macau	**2,107**	5,253	**–**	–	**–**	–	**2,107**	5,253
Segment Revenue	**75,611**	131,829	**–**	2,719	**11,388**	17,936	**86,999**	152,484
Timing of revenue recognition								
— At a point in time	**–**	–	**–**	2,719	**–**	–	**–**	2,719
— Over time	**75,611**	131,829	**–**	–	**11,388**	17,936	**86,999**	149,765
Total	**75,611**	131,829	**–**	2,719	**11,388**	17,936	**86,999**	152,484

(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 2020 and the expected timing of recognising revenue as follows:

	Construction contracts		Rental of machinery	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Within one year	**87,480**	78,296	**–**	1,159

8. OTHER INCOME, GAINS/(LOSSES)

	2020 HK$'000	2019 HK$'000
Gain on disposals of property, plant and equipment	**–**	3,928
Gain on sales of strips	**–**	315
Interest income	**2**	2
Loss on written-off of property, plant and equipment	**–**	(28)
Gain on early termination of lease	**1**	–
Government grants (note)	**50**	–
Insurance claims	**1,051**	–
Others	**118**	136
	1,222	4,353

Note: During the year ended 31 March 2020, a government funding of HK$50,000 (2019: nil) was received by a subsidiary of the Company to assist the Group to mitigate the financial impact of outbreak of COVID-19.

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	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Hong Kong	**84,892**	147,231	**60,581**	60,489
Macau	**2,107**	5,253	**–**	–
Consolidated total	**86,999**	152,484	**60,581**	60,489

9. SEGMENT INFORMATION (Continued)

Revenue from major customers

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

	2020 HK$'000	2019 HK$'000
Customer 1	**24,481**	N/A[1]
Customer 2	**10,272**	N/A[1]
Customer 3	**8,845**	17,399
Customer 4	**N/A[1]**	17,381

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

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
— bank and other borrowings	**2,160**	1,176
— bank overdraft	**–**	*
— lease liabilities	**145**	63
	2,305	1,239

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

11. INCOME TAX (CREDIT)/EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**36**	176
(Over)/under-provision in prior years	**(23)**	32
	13	208
Current tax — Macau Profits Tax		
Provision for the year	**–**	–
	13	208
Deferred tax (note 28)	**(1,317)**	461
	(1,304)	669

Hong Kong Profits Tax has been provided at a rate of 16.5% (2019: 16.5%) based on the assessable profit for the year less allowable losses brought forward.

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

On 21 March 2019, 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 2020 and 2019 since the Group has no assessable profit.

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

	2020 **HK$'000**	2019 HK$'000
Loss before tax	**(13,908)**	(1,737)
Tax at the respective applicable tax rates	**(2,278)**	(287)
Tax effect of expenses that are not deductible	**1,578**	1,082
Tax effect of income that is not taxable	**–**	(239)
Tax effect of temporary differences previously not recognised	**(986)**	–
Tax effect of temporary differences not recognised	**482**	247
(Over)/under-provision in prior years	**(23)**	32
Tax reduction	**(77)**	(166)
Income tax (credit)/expense	**(1,304)**	669

12. LOSS FOR THE YEAR

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

	Notes	2020 HK$'000	2019 HK$'000
Allowance for impairment loss of trade and retention receivables, net		**4,622**	4,318
Allowance for impairment loss of contract assets		**2,128**	114
Auditor's remuneration			
— Audit services		**650**	700
— Non-audit services		**160**	210
		810	910
Costs of construction materials	(a)	**34,124**	61,425
Depreciation on property, plant and equipment		**12,459**	15,958
Depreciation on right-of-use assets		**2,375**	–
	(b)	**14,834**	15,958
Gain on disposals of property, plant and equipment		**–**	(3,928)
Loss on written off of property, plant and equipment		**–**	28
Operating lease charges			
— Land and buildings	(c)	**283**	2,944
Addition of provision for annual leave		**292**	9
Staff costs including directors' emoluments			
— Salaries, bonuses, allowances and other benefits		**33,086**	32,271
— Retirement benefits scheme contributions		**1,046**	1,069
	(d)	**34,132**	33,340

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 2020 and 2019 amounted to HK$12,268,000 and HK$15,076,000 respectively.

The amounts included in contract assets as at 31 March 2020 amounted to HK$1,296,000.

(c) The amounts included in cost of sales for the year ended 31 March 2020 and 2019 amounted to HK$143,000 and HK$2,576,000 respectively.

(d) The amounts included in cost of sales for the year ended 31 March 2020 and 2019 amounted to HK$21,848,000 and HK$25,508,000 respectively.

The amounts included in contract assets as at 31 March 2020 and 2019 amounted to HK$3,664,000 and HK$34,000 respectively.

13. EMPLOYEE BENEFITS EXPENSE

	Notes	2020 HK$'000	2019 HK$'000
Employee benefits expense:			
Basic salaries, bonuses, allowances and other benefits		**33,086**	32,271
Retirement benefits scheme contributions	(a)	**1,046**	1,069
		34,132	33,340

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.

(b) Directors' emoluments:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
For the year ended 31 March 2020	**Fees HK$'000**	**Salaries and allowances HK$'000**	**Discretionary bonuses HK$'000**	**Employer's contribution to a retirement benefit scheme HK$'000**	**Total HK$'000**
Executive Directors					
Mr. Chui	–	876	–	18	894
Mr. Tang	–	771	–	18	789
Independent Non-executive Directors					
Mr. Cheung Chun Chuen George	120	–	–	–	120
Mr. Law Ching Ning Paschal	120	–	–	–	120
Mr. Leung Wai Hung	120	–	–	–	120
Total	360	1,647	–	36	2,043

13. EMPLOYEE BENEFITS EXPENSE (Continued)

Notes: (Continued)

(b) Directors' emoluments: (Continued)

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 HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors					
Mr. Chui	–	876	–	18	894
Mr. Tang	–	453	–	18	471
Independent Non-executive Directors					
Mr. Cheung Chun Chuen George	120	–	–	–	120
Mr. Law Ching Ning Paschal	120	–	–	–	120
Mr. Leung Wai Hung	120	–	–	–	120
Total	360	1,329	–	36	1,725

(c) Five highest paid individuals:

The five highest paid individuals in the Group during the year included two directors (2019: one) whose emoluments are reflected in the analysis presented above. The aggregate emoluments of the remaining three (2019: four) individuals are set out below:

	2020 HK$'000	2019 HK$'000
Basic salaries, bonuses, allowances and other benefits	**2,650**	3,817
Retirement benefits scheme contributions	**54**	74
	2,704	3,891

The emoluments fell within the following bands:

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

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$105,000 for the year ended 31 March 2020 (2019: HK$423,000). None of the other directors waived or agreed to waive any emoluments during the years ended 31 March 2020 and 2019.

(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 2020 (2019: 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:

	2020 HK$'000	2019 HK$'000
Loss attributable to owners of the Company	(12,604)	(2,406)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**600,000**	600,000

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same.

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 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
Effect on adoption of HKFRS 16 (note 3(a))	–	–	–	(4,241)	–	(4,241)
As at 1 April 2019	–	56,841	57,753	1,347	136	116,077
Additions	–	3,979	1,973	–	–	5,952
As at 31 March 2020	–	60,820	59,726	1,347	136	122,029
Accumulated depreciation						
As at 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
Effect on adoption of HKFRS 16 (note 3(a))	–	–	–	(2,157)	–	(2,157)
As at 1 April 2019	–	24,659	31,783	1,124	106	57,672
Charge for the year	–	5,661	6,654	120	24	12,459
As at 31 March 2020	–	30,320	38,437	1,244	130	70,131
Carrying amount						
As at 31 March 2020	–	30,500	21,289	103	6	51,898
As at 31 March 2019	–	32,182	25,970	2,307	30	60,489

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

At 31 March 2020, the carrying amount of property, plant and equipment pledged as security for the Group's bank and other borrowings amounted to HK$21,439,000 (2019: HK$20,195,000).

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year, as a result of the downturn in the financial performance of the Group, the management of the Group carried out a review of the recoverable amounts of the assets of the Group. The Group has engaged an independent valuer to estimate the recoverable amount of the assets of the Group as at 31 March 2020. The recoverable amount of the Group has been determined on the basis of their value in use using discounted cash flow method. The pre-tax discount rate used was 12.51%. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 2.5%. This rate does not exceed the average long-term growth rate for the relevant markets. The recoverable amount of the assets of the Group is higher than their carrying amounts and no provision for impairment loss has been made on property, plant and equipment and right-of-use assets.

17. RIGHT-OF-USE ASSETS

	Motor Vehicles HK$'000	**Leased properties** HK$'000	**Total** HK$'000
At 1 April 2019 (note 3(a))	2,084	272	2,356
Additions	–	8,741	8,741
Depreciation	(893)	(1,482)	(2,375)
Early termination	–	(39)	(39)
At 31 March 2020	1,191	7,492	8,683

Lease liabilities of HK$9,144,000 are recognised with related right-of-use assets of HK$8,683,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2020 **HK$'000**
Depreciation expenses on right-of-use assets	**2,375**
Interest expense on lease liabilities (included in finance cost)	**145**
Expenses relating to short-term lease (included in cost of goods sold and administrative)	**283**

Details of total cash outflow for leases is set out in note 33(c).

For both years, the Group leases various offices, warehouses and motor vehicles for its operations. Lease contracts are entered into for fixed term of 1 year to 6 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

During the year, the Group assessed at lease commencement date of a warehouse that it's reasonably certain to exercise the extension option for another three years, which has been recognised at the initial recognition.

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2020 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%	–	Investing 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.

19. FINANCIAL ASSETS AT FVTPL

	2020 HK$'000
Investments in life insurance policies	**8,427**
Analysed as:	
Current assets	**–**
Non-current assets	**8,427**
	8,427

The carrying amounts of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

The investments included above represent life insurance policies entered by Triangular Force to insure Mr. Tang and Mr. Chui. Under the policies, the beneficiary and the policy holder is Triangular Force and the total insured sum are approximately US$3,456,000 (equivalent to approximately HK$27,128,000). The Group was required to pay a one-off premium payment of approximately US$1,274,000 (equivalent to approximately HK$10,000,000) and can terminate the policy at any time and receive cash back based on the cash value.

The life insurance policies were pledged to secure a bank borrowing of the Group.

19. FINANCIAL ASSETS AT FVTPL (Continued)

The carrying amounts of the Group's financial assets at FVTPL are denominated in US$.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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

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

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value. Further, for the current period the fair value disclosure of lease liability is also not required.

(a) Disclosures of level in fair value hierarchy at 31 March 2020:

	Fair value measurements using Level 3 HK$'000
Recurring fair value measurements:	
Financial assets at FVTPL	
— Investments in life insurance policies	8,427

(b) Reconciliation of assets measured at fair value based on level 3:

	Financial assets at FVTPL HK$'000
At 1 April 2019	
Purchase	10,000
Fair value change recognised in profit or loss	(1,573)
At 31 March 2020	8,427

19. FINANCIAL ASSETS AT FVTPL (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2020:

The Group's financial controller is responsible for the fair value measurements of assets required for financial reporting purposes, including level 3 fair value measurements. The fair value of the investments in life insurance policies is determined by reference to the cash surrender value of the insurance policies, which is not an observable input. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

20. TRADE AND RETENTION RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade receivables	(a)	**54,123**	46,526
Allowance for impairment loss		**(7,301)**	(2,198)
		46,822	44,328
Retention receivables (Note)	(b)	**4,592**	10,364
Allowance for impairment loss		**(2,982)**	(3,463)
		1,610	6,901
		48,432	51,229

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:

	2020 HK$'000	2019 HK$'000
0 to 30 days	**12,755**	31,361
31 to 60 days	**10,305**	112
61 to 90 days	**34**	3,218
Over 90 days	**23,728**	9,637
	46,822	44,328

20. TRADE AND RETENTION RECEIVABLES (Continued)

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

	HK$'000
At 1 April 2018	46
Allowance for the year	2,152
At 31 March 2019 and 1 April 2019	2,198
Allowance for the year	5,103
At 31 March 2020	7,301

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

	2020 HK$'000	2019 HK$'000
HK$	**45,908**	42,674
MOP	**914**	1,654
	46,822	44,328

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

	2020 HK$'000	2019 HK$'000
Within 1 year	**184**	4,187
Between 1 to 2 years	**1,362**	306
Between 2 to 5 years	**64**	2,408
	1,610	6,901

20. TRADE AND RETENTION RECEIVABLES (Continued)

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

	HK$'000
At 1 April 2018	1,297
Allowance for the year	2,166
At 31 March 2019 and 1 April 2019	3,463
Reversal for the year	(481)
At 31 March 2020	2,982

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

	2020 HK$'000	2019 HK$'000
HK$	**1,610**	4,967
MOP	**–**	1,934
	1,610	6,901

21. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Contract assets arising from:		
Performance under construction contracts	**8,918**	5,705
Less: Allowance for impairment loss	**(223)**	(65)
	8,695	5,640
Retention receivables from contracts with customers within the scope of HKFRS 15 which were included in "Trade and retention receivables" (Note 20(b))	**12,198**	8,684
Less: Allowance for impairment loss	**(2,086)**	(116)
	10,112	8,568
	18,807	14,208

As at 31 March 2020, all contract assets were expected to be billed within one year (2019: one year).

21. CONTRACT ASSETS (Continued)

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

	HK$'000
At 1 April 2018	67
Allowance for the year	114
At 31 March 2019 and 1 April 2019	181
Allowance for the year	2,128
At 31 March 2020	2,309

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.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Deposits	**408**	412
Prepayments	**1,605**	3,852
Other receivables	**60**	72
	2,073	4,336

23. BANK AND CASH BALANCES

Bank and cash balances are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**5,453**	15,030
MOP	**1**	220
	5,454	15,250

24. TRADE AND RETENTION PAYABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade payables	(a)	**20,028**	27,299
Retention payables (Note)	(b)	**1,039**	1,262
		21,067	28,561

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

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	**1,456**	6,590
31 to 60 days	**1,844**	3,420
61 to 90 days	**463**	3,431
Over 90 days	**16,265**	13,858
	20,028	27,299

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

(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.

25. ACCRUALS AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Accruals	**7,067**	5,271
Other payables	**935**	2,137
	8,002	7,408

26. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank borrowings — secured (note a)	**5,162**	–
Bank borrowings — unsecured (note b)	**20,041**	10,000
Other borrowings — secured (note c)	**13,147**	15,907
	38,350	25,907

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:

	2020 HK$'000	2019 HK$'000
On demand or within one year	**20,213**	15,679
More than one year, but not exceeding two years	**8,308**	5,976
More than two years, but not exceeding five years	**9,829**	4,252
	38,350	25,907
Less: Amount due for settlement within 12 months	**(20,213)**	(15,679)
	18,137	10,228
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)	**18,137**	10,228

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

Note:

(a) As at 31 March 2020, the bank borrowings of approximately HK$5,162,000 is secured by a charge over the insurance policies of the Group with a fair value of HK$8,427,000 (note 19).

(b) During the year ended 31 March 2020, a subsidiary of the Group breached the covenant requirements under bank facilities with a bank, as the subsidiary's Tangible Net Worth was less than that required by the bank. A revised bank facility without covenant requirements of Tangible Net Worth has been granted by the bank subsequent to the reporting date and the breach of financial covenants has been rectified.

(c) As at 31 March 2020, the other borrowings of approximately HK$13,147,000 (2019: HK$15,907,000) is secured by a charge over the property, plant and equipment of the Group with a carrying amount of HK$21,439,000 (2019: HK$20,195,000).

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. The other borrowing was subsequently replaced by a new borrowing offered by the same lender which is secured by the Group's plant and machineries and repaid in accordance with the schedule repayment dates.

26. BANK AND OTHER BORROWINGS (Continued)

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

	2020	2019
Bank and other borrowings	3.55%	4.10%

As at 31 March 2020, bank and other borrowings of approximately HK$16,975,000 (2019: HK$11,414,000) 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.

27. LEASE LIABILITIES (2019: FINANCE LEASE PAYABLES)

	Minimum lease payments		Present value of minimum lease payments	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Within one year	2,286	863	2,113	765
In the second year	2,015	756	1,801	692
In the third to fifth years, inclusive	6,394	1,119	5,230	1,058
	10,695	2,738	9,144	2,515
Less: Future finance charges	(1,551)	(223)	–	–
Present value of lease obligations	9,144	2,515	9,144	2,515
Less: Amount due for settlement within 12 months (shown under current liabilities)			(2,113)	(765)
Amount due for settlement after 12 months			7,031	1,750

All finance lease payables are denominated in Hong Kong dollars.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

At 31 March 2020, the Group's lease liabilities of approximately HK$802,000 (2019: HK$985,000) were guaranteed by the Company.

It is the Group's policy to lease certain of its property, plant and equipment. The average lease term is 5 years for the year ended 31 March 2020 and 2019 respectively. At 31 March 2020 and 2019, the average effective borrowing rate was 4.83% and 4.82% respectively. At the end of each lease term, the Group has the option to purchase the property, plant and equipment at nominal prices.

27. LEASE LIABILITIES (2019: FINANCE LEASE PAYABLES) (Continued)

As at 31 March 2020 and 2019, lease liabilities of HK$9,144,000 and HK$2,515,000 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.

None of the portion of lease liabilities 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.

28. 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 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)
(Charge)/credit for the year (note 11)	(55)	564	(970)	(461)
As at 31 March 2019 and 1 April 2019	(7,321)	1,282	–	(6,039)
Credit for the year (note 11)	465	852	–	1,317
As at 31 March 2020	(6,856)	2,134	–	(4,722)

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

	2020 **HK$'000**	2019 HK$'000
Deferred tax assets	**2,134**	1,282
Deferred tax liabilities	**(6,856)**	(7,321)
	(4,722)	(6,039)

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$12,933,000 (2019: HK$7,770,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$2,134,000 (2019: HK$1,282,000) of such losses. Unused tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	2020 Number of shares	2020 HK$'000	2019 Number of shares	2019 HK$'000
Authorised:				
At 31 March (HK$0.01 each)	**1,000,000,000**	**10,000**	1,000,000,000	10,000
Issued and fully paid:				
At 31 March (HK$0.01 each)	**600,000,000**	**6,000**	600,000,000	6,000

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 26(b) to the consolidated financial statement.

The debt-to-adjusted capital ratios at 31 March 2020 and at 31 March 2019 were as follows:

	2020 HK$'000	2019 HK$'000
Lease liabilities (2019: Finance lease payables)	**9,144**	2,515
Bank and other borrowings	**38,350**	25,907
Less: bank and cash equivalents	**(5,454)**	(15,250)
Net debts	**42,040**	13,172
Adjusted capital	**62,616**	75,223
Debt-to-adjusted capital ratio	**67.1%**	17.5%

The increase in the debt-to-adjusted capital ratio during 2020 resulted primarily from increase of bank and other borrowings, recognition of lease liabilities under HKFRS 16 and decrease of bank and cash equivalents.

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

(a) Statement of financial position of the Company

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investment in a subsidiary		**3,691**	1
Current assets			
Prepayment		**211**	113
Bank and cash balances		**20**	24
		231	137
Current liabilities			
Due to a subsidiary		**1**	1
Accruals		**1,626**	355
Financial guarantees		**3,690**	–
		5,317	356
Net current liabilities		**(5,086)**	(219)
NET LIABILITIES		**(1,395)**	(218)
Capital and reserves			
Share capital	29	**6,000**	6,000
Reserves	30(b)	**(7,395)**	(6,218)
TOTAL EQUITY		**(1,395)**	(218)

Approved by the Board of Directors on 26 June 2020 and are signed on its behalf by:

Mr. Tang Kwai Leung Stanley
Director

Mr. Chui Koon Yau
Director

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK$'000 (note 31(b)(i))	**Accumulated losses** HK$'000	**Total** HK$'000
As at 1 April 2018	36,581	(402)	36,179
Total comprehensive loss for the year	–	(42,397)	(42,397)
As at 31 March 2019 and 1 April 2019	36,581	(42,799)	(6,218)
Total comprehensive loss for the year	–	(1,177)	(1,177)
As at 31 March 2020	36,581	(43,976)	(7,395)

31. 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.

(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.

32. 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 2020 and 2019.

33. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Additions to property, plant and equipment for the year ended 31 March 2019 amounted to approximately HK$1,793,000 was financed by finance leases.

Additions to property, plant and equipment for the year ended 31 March 2019 amounted to approximately HK$4,081,000 were settled by the prepayments.

33. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(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 2019 HK$'000	Impact on initial application of HKFRS 16 (note 3) HK$'000	Entering new leases HK$'000	Release of lease liabilities HK$'000	Cash flows HK$'000	Interest expenses HK$'000	31 March 2020 HK$'000
Bank and other borrowings (note 26)	25,907	–	–	–	14,603	(2,160)	38,350
Lease liabilities (note 27)	–	2,787	8,741	(40)	(2,199)	(145)	9,144
Finance lease payables (note 27)	2,515	(2,515)	–	–	–	–	–
	28,422	272	8,741	(40)	12,404	(2,305)	47,494

	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 26)	26,153	930	(1,176)	–	25,907
Finance lease payables (note 27)	1,383	(598)	(63)	1,793	2,515
	27,536	332	(1,239)	1,793	28,422

(c) Total cash outflow for leases

	2020 HK$'000	2019 HK$'000
Within operating cash flows	283	2,944
Within financing cash flows	1,554	–
	1,837	2,944

These amounts relate to the following:

	2020 HK$'000	2019 HK$'000
Lease rental paid	1,884	2,944

34. LEASE COMMITMENTS

The Group as lessee

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2019 HK$'000
Within one year	840
In the second to fifth years inclusive	41
	881

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated and rentals are fixed for a term ranging from one to three years and do not include contingent rentals.

As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 17, and the outstanding lease commitments relating to short-term leases for offices is approximately HK$70,000.

35. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the year were as follow:

	2020 **HK$'000**	2019 HK$'000
Short term benefits	**3,722**	4,499
Retirements benefit scheme contribution	**72**	89
	3,794	4,588

36. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

37. CONTINGENT LIABILITIES

As at 31 March 2020 and 2019, 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.

38. COMPARATIVE FIGURE

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

Financial Summary

The consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements are summarised below.

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
RESULTS					
REVENUE	**86,999**	152,484	123,019	116,563	86,604
(LOSS)/PROFIT BEFORE TAX	**(13,908)**	(1,737)	(14,498)	6,839	20,651
INCOME TAX (EXPENSE)/CREDIT	**1,304**	(669)	36	(1,559)	(3,370)
(LOSS)/PROFIT FOR THE YEAR	**(12,604)**	(2,406)	(14,462)	5,280	17,281
ASSETS AND LIABILITIES					
NON-CURRENT ASSETS	**69,008**	60,489	57,808	63,877	59,363
NET CURRENT ASSETS/(LIABILITIES)	**5,361**	22,523	33,262	288	(1,472)
NON-CURRENT LIABILITIES	**(11,753)**	(7,789)	(7,396)	(8,728)	(7,734)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**62,616**	75,223	83,674	55,437	50,157