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BOARD OF DIRECTORS

Executive Directors

Mr. Chen Zhenghua *(Chairman)*
Mr. Zhang Fangbing
Mr. Wong Wa
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Independent Non-executive Directors

Prof. Lam Sing Kwong, Simon
Mr. Lum Pak Sum
Mr. Gong Zhenzhi

COMPANY SECRETARY

Mr. Fung Kwok Wai

COMPLIANCE OFFICER

Mr. Zhang Fangbing

AUTHORISED REPRESENTATIVES

Mr. Zhang Fangbing
Mr. Fung Kwok Wai

AUDIT COMMITTEE

Mr. Lum Pak Sum *(Chairman)*
Prof. Lam Sing Kwong, Simon
Mr. Gong Zhenzhi

REMUNERATION COMMITTEE

Prof. Lam Sing Kwong, Simon *(Chairman)*
Mr. Lum Pak Sum
Mr. Zhang Fangbing

NOMINATION COMMITTEE

Mr. Gong Zhenzhi *(Chairman)*
Prof. Lam Sing Kwong, Simon
Mr. Chen Zhenghua

RISK MANAGEMENT COMMITTEE

Mr. Lum Pak Sum *(Chairman)*
Prof. Lam Sing Kwong, Simon
Mr. Gong Zhenzhi

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER

TC & Co., Solicitors

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cricket Square, Hutchin Drive
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
United Overseas Bank Limited

COMPANY'S WEBSITE

www.kwanonconstruction.com

STOCK CODE

1559

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kwan On Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 (the "**Reporting Year**").

BUSINESS REVIEW

The market for public works construction in Hong Kong remained challenging, amid huge market competition and increasing construction cost. For the year ended 31 March 2019, the Group's turnover rose 14.8%, thanks to an oversea hotel construction project in Thailand. The net profit attributable to shareholders however decreased by 13.9% to HK$26.1 million, which was largely caused by a lower gross profit margin of approximately 9.5% in current year (31 March 2018: approximately 11.5%).

As part of our relentless efforts towards external challenges, the Group stayed focused on optimizing its operational efficiency and meanwhile search for the potential opportunity in Hong Kong and overseas construction markets for business diversification. Our first overseas project in Thailand, involving construction of the JW Marriott and Courtyard Hotel in Phuket Island, has contributed a revenue of approximately HK$116.60 million to the Group in the Reporting Year.

Furthermore, on 23 January 2019, the Group entered into an engineering, procurement and construction agreement with an independent overseas land owner in the Philippines (the "**land owner**") for construction of a 61-storey condominiums building in the Philippines. The land owner owns land titles of approximately 934.2 square meters in Malate, City of Manlia (the "**sites**"). The contract sum awarded to the Group for the construction on the sites is approximately HK$340.74 million. It offers an opportunity for the Group to expand its business in overseas markets and to obtain contracts for construction and infrastructural works under the "Belt and Road" initiative.

PROSPECTS

In the coming three years, the Group shall actively participate in the construction of infrastructure projects of the Hong Kong Government. We shall also reduce costs and improve efficiency by introducing and enhancing artificial intelligence project management and mechanised construction abilities, so as to strengthen our market competitiveness. Meanwhile, we shall grasp every development opportunities brought up by the "Belt and Road" initiative, and make use of the advantages of the background of the Group's shareholders and the advantages of financing in the international capital markets as a listed company, with an aim of implementing the development strategy of expanding into overseas markets and eventually achieving our goal of business diversification and sustainable development.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to express my gratitude to all shareholders, customers and suppliers for their valuable support. I would also like to express our sincere appreciation to all the employees of the Group for their hard work and dedication.

Chen Zhenghua
Chairman
28 June 2019

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Zhenghua (陳正華) ("Mr. Chen"), aged 56, was appointed as an Executive Director and the Chairman of the Board on 1 June 2017. Mr. Chen was graduated with a Master of Business Administration Degree (EMBA) from the Tsinghua University. He is a senior economist and a member of the Chinese People's Political Consultative Conference of Jiangsu Province* (江蘇省政協常委). Mr. Chen is also the managing director of the Jiangsu Provincial Construction Group* (江蘇省建築工程集團有限公司). He has been awarded the titles of "Outstanding Entrepreneur of the Building Industry of China*" (全國建築業優秀企業家), "Outstanding Entrepreneur of Construction Companies of China*" (全國施工企業優秀企業家), and the "National May 1 Labour Medal*" (全國五一勞動獎章). In addition, Mr. Chen is an executive director of the Chinese Association for International Understanding* (中國國際交流協會), a chief supervisor of the Jiangsu Overseas Chinese Entrepreneurs Association* (江蘇僑商總會), the vice chairman of the Jiangsu Construction Industry Association* (江蘇省建築行業協會), the vice chairman of the Construction Market Manage Association of Jiangsu Province* (江蘇省建築市場管理協會), the vice chairman of the Jiangsu Sushang Development Promotion Association* (江蘇省蘇商發展促進會), and the honorary president of the Nanjing Overseas Chinese Investment Enterprise Association* (南京市僑商投資企業協會).

Mr. Zhang Fangbing (張方兵) ("Mr. Zhang"), aged 41, was appointed as an Executive Director on 1 June 2017. Mr. Zhang was graduated with a Bachelor Degree in Civil Engineering from the Hohai University* (河海大學). He is a senior engineer and a contractor* (全國註冊一級建造師).

Mr. Zhang is the vice president and the chairman of overseas companies (副總裁兼國際工程公司董事長) of the Jiangsu Provincial Construction Group* (江蘇省建築工程集團有限公司).

Mr. Zhang has been awarded the titles of "China Jiangsu Overseas Outstanding Project Manager*" (江蘇省境外優秀項目經理), "Review Expert of the Ministry of Commerce of the People's Republic of China Foreign Assistance Projects*" (商務部對外援助成套項目) and "Internationalisation Expert of Jiangsu Enterprises*" (江蘇省企業國際化專家).

Mr. Wong Wa (黃華), aged 58, was appointed as an Executive Director on 26 August 2016. Mr. Wong Wa is currently the chairman of the board of HK Asian International Investment Development Limited and Diamond Empire Limited. He is also a committee member of the Committee of the Chinese People's Political Consultative Conference of Wuxi, Jiangsu, vice-chairman and deputy secretary general of Federation of HK Jiangsu Community Organisations, and vice-chairman of 江蘇旅港同鄉聯合會 (Jiangsu Residents (HK) Association).

Mr. Wong Wa graduated from Donghua University (formerly known as 上海紡織工學院 (Shanghai Textile College)). He has engaged in the property development and construction industry for over ten years. He also has extensive experience in management of manufacturing entitles.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cao Lei (曹累) ("Mr. Cao"), aged 44, was appointed as an Executive Director on 9 February 2018. He was graduated from the College of Economics and Management* of the Nanjing University of Aeronautics and Astronautics* (南京航空航天大學工商學院) with a professional qualification in marketing in June 1994. Mr. Cao has over 20 years' of work experience. Mr. Cao had been appointed as the General Manager of the Nanjing Xinsida Technology Limited* (南京信思達科技有限公司) from 2000 to 2005 and as the Chairman of the Suzhou Hongyi Real Estate Limited* (蘇州鴻意地產有限公司) from 2003 to 2008. Mr. Cao was appointed as the Chairman of the Nanjing Minsheng Leasing Limited* (南京市民生租賃有限公司) from 2013 to 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Lam Sing Kwong, Simon (林誠光) ("Professor Lam"), aged 60, was appointed as an Independent Non-executive Director on 16 March 2015. Professor Lam is currently a Professor of Management and strategy at the Faculty of Business and Economics, The University of Hong Kong.

He is also Head of the Faculty's Management and Strategy Area, Director of the Centre of Asian Entrepreneurship and Business Values and Ian Davies Endowed Professor in Ethics. Before joining the University of Hong Kong, Professor Lam had worked as a management consultant and as a regional manager for a bank. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance.

Professor Lam is the independent non-executive director of Sinomax Group Limited (stock code: 01418) and Overseas Chinese Town (Asia) Holdings Limited (stock code: 03366).

Professor Lam is also the non-executive director of Jacobson Pharma Corporation Limited (stock code: 02633).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lum Pak Sum (林柏森) ("Mr. Lum"), aged 58, was appointed as an Independent Non-executive Director on 26 August 2016. Mr. Lum obtained a master's degree in business administration from the University of Warwick UK in 1994 and a bachelor's degree in laws from University of Wolverhampton UK in 2002. He has been currently a non practising fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, U.K. since 1996 and 1993 respectively. Mr. Lum possesses over 20 years working experience in money market and capital market.

Mr. Lum's positions in other companies listed on the Stock Exchange in the present and in the past three years are set out below:

Name of company	Position	Period of service
Great China Properties Holdings Limited (stock code: 21)	Independent non-executive director	August 2007 to present
Beautiful China Holdings Company Limited (stock code: 706)	Independent non-executive director	January 2014 to June 2018
Yuhua Energy Holdings Limited (stock code: 2728)	Independent non-executive director	December 2014 to April 2019
i-Control Holdings Limited (stock code: 8355)	Independent non-executive director	May 2015 to present
Anxian Yuan China Holdings Limited (stock code: 922)	Independent non-executive director	May 2017 to present
S. Culture International Holdings Limited (stock code: 1255)	Independent non-executive director	June 2017 to present
Sunway International Holdings Limited (stock code: 58)	Non-executive director	May 2019 to present
Pearl Oriental Oil Limited (stock code: 632)	Independent non-executive director	December 2017 to June 2018
Asia Resources Holdings Limited (stock code: 899)	Independent non-executive director	November 2010 to January 2015
Orient Securities International Holdings Limited (stock code: 8001)	Non-executive director	April 2011 to July 2015
Roma Group Limited (stock code: 8072)	Chief executive officer	June 2017 to 1 October 2017

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Gong Zhenzhi (龔振志) ("Mr. Gong"), aged 48, was appointed as an Independent Non-executive Director on 23 April 2018. Mr. Gong was graduated from the Southeast University* (東南大學) in Nanjing, China with a Bachelor Degree in Engineering in the profession of manufacturing of machinery and equipment* (機械製造工藝與設備專業) in June 1993. In March 1999, Mr. Gong obtained a Master's Degree in Management in the profession of management science and engineering from the Nanjing University of Aeronautics and Astronautics* (南京航空航天大學). In October 2008, Mr. Gong obtained a Doctoral Degree in Management in the profession of management science and engineering from the Southeast University* (東南大學). In June 2010, Mr Gong obtained a Master of Public Management Degree from The University of Maryland. Mr. Gong has served as the head of a High-tech Product Research and Development Department of a large scale stated-owned enterprise, a manager of a township government-owned industrial company, an assistant town mayor, a deputy commissioner and a commissioner of a county, a town mayor, a deputy secretary and the deputy head of an Administrative Committee of a National Economic Development Zone, a deputy secretary-general and a district mayor of a prefectural-level city, the secretary of a national high-tech industrial development zone, the chairman of a large scale state-owned enterprise and the president of a university's Industrial Research Institute, details are as below:

August 1993 to August 1996	Secretary of the Communist Youth League Branch Committee and an assistant engineer of The Eleventh Factory of Nanjing Chenguang, PRC* (南京晨光集團十一分廠團支書、助理工程師)
August 1999 to April 2001	Deputy Head of the Corporate Management Office and an assistant town mayor of the Fangxiang Town, Hanjiang District, Yangzhou China* (揚州邗江區方巷鎮企管站副站長、鎮長助理)
April 2001 to March 2003	Deputy Commissioner and the Commissioner of the Merchants Bureau of the Hanjiang District, Yangzhou China* (揚州邗江區招商局副局長、局長)
March 2003 to May 2005	Deputy Director of the General Office of the Hanjiang District China* (邗江區政府辦副主任)
May 2005 to April 2006	Town Mayor of the Guazhou Town, Hanjiang District China* (邗江區廠瓜洲鎮鎮長)
April 2006 to February 2008	Vice Chairman of the Administrative Committee of the Yangzhou Economic Development Zone* (揚州經濟開發區管委會副主任)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

February 2008 to April 2011	Deputy Secretary-General of the Yangzhou municipal government* China (揚州市政府副秘書長)
April 2011 to October 2012	Deputy Secretary and the Vice Chairman of the Administrative Committee of the Yangzhou Economic Development Zone*, China (揚州經濟開發區管委會副書記、副主任)
October 2012 to November 2015	District Mayor of the Hanjiang District, Yangzhou*, China (揚州邗江區區長)
November 2015 to February 2018	Chairman, Party Secretary and the General Manager of the Yangzhou Yangzijiang Group and the Chairman and the Secretary of the Yangzhou Financial Group, China* (揚州揚子江集團董事長、黨委書記、總經理，和揚州金融集團董事長、書記)
February 2018 to Present	President of the Industrial Research Institute, and the Associate Dean of the Business School of the Yangzhou University*, China (揚州大學產業經濟研究院院長、商學院副院長)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Chief Executive Officer

Mr. Tao Ming (陶明) ("Mr. Tao"), aged 55, is an engineer and was appointed as Chief Executive Officer of the Group on 9 February 2018. Mr. Tao was graduated from the Nanjing Southeast University* (南京東南大學) with a professional qualification in Civil Engineering and obtained a Master of Business Administration Degree jointly awarded by the School of Business of the Nanjing University and the Maastricht School of Management in the Netherlands in July 2005. Mr. Tao was the Director of the Nanjing Drainage Construction and Management Division* (南京市排水建設和管理處) from January 1997 to June 2003 and was the President of the Nanjing Drainage Company* (南京市給排水工程公司). In January 2001, Mr. Tao was appointed as the Chief Commander of the Nanjing Jiang Xin Zhou Sewage Treatment System and Nanjing Xianlin University City Sewage Treatment System Engineering Headquarters* (南京江心洲污水處理系統和南京仙林大學城污水處理系統工程指揮部) and as the Vice Chairman of the China Drainage Professional Committee* (中國排水專業委員會). Mr. Tao was an Executive Director and the Chief Executive Officer of the Keyne Group* (江蘇金大地集團) from July 2003 to 2006. From 2012 to 2013, Mr. Tao was appointed as an Executive Director and the Chief Executive Officer of the Nanjing 1912 Group* (南京1912集團), the Vice President of the China Federation of Urban Commercial Outlets Construction Administration (中國城市商業網點建設管理聯合會) and the Deputy Secretary-General of the China Commercial Real Estate Association* (中國商業地產聯盟). Mr. Tao had been appointed as Project Consultant of Jiangsu Provincial Construction Group Co., Ltd*（江蘇省建築工程集團有限公司）from 2013 to 2017.

Chief Operating Officer

Mr. Shen Zhi (沈治) ("Mr. Shen") aged 41, was appointed as Chief Operating Officer of the Group on 9 February 2018. Mr. Shen is an engineer and an intermediate level accountant* (中級會計師). Mr. Shen is currently the Deputy General Manager* (常務副總經理) of the Jiangsu Provincial Construction Group Overseas Company* (江蘇省建築工程集團有限公司海外公司) and the secretary of a branch of the Communist Party of China* (中國共產黨支部書記). Mr. Shen graduated from the Yangzhou University* (揚州大學) with a professional qualification in Financial Accounting of Construction Works (基本建設財務會計) in June 1999 and obtained a Bachelor Degree in Economic and Administration Management from the People's Liberation Army Nanjing Political College* (中國人民解放軍南京政治學院) in December 2015.

COMPANY SECRETARY

Mr. Fung Kwok Wai (馮國衛) ("Mr. Fung"), aged 59, was appointed as the Company Secretary and Chief Financial Officer of the Group on 14 February 2019. He is responsible for the overall financial and company secretarial aspects of the Group. Mr. Fung is a fellow member of both the Association of Chartered Certified Accountants and The Hong Kong Institute of the Certified Public Accountants. He holds a bachelor degree and has 30 years' experience in auditing, finance, accounting and company secretarial work.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is engaged in the provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) landslip preventive and mitigation works to slopes and retaining walls services ("**LPM Services**"); (iv) building works as a contractor in Hong Kong and oversea construction projects.

Kwan On Construction, an operating subsidiary of the Group, is one of the Group C contractors (confirmed) for waterworks engineering services, Group C contractors (confirmed) for roads and drainage services, Group B contractors (confirmed) for site formation services, and Group A contractors (probationary) for buildings services on the list of approved contractors for public works maintained by the works Branch of the Development Bureau of the Government of Hong Kong.

Set out below are the list of contracts on hand as at 31 March 2019:

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated Contract sum	Cumulative revenue recognised	Further revenue expected to be recognised
				HK$ million	*HK$ million*	*HK$ million*
Tendered by Kwan On Construction						
KL/2012/03	Civil Engineering and Development Department	Kai Tak Development – Stage 4 infrastructure at former north apron area	2/9/2017[1]	960.0	897.8	62.2
GE/2013/06	Civil Engineering and Development Department	Landslip Prevention and Mitigation Programme, 2008, Package J, Landslip Prevention and Mitigation Works in New Territories	23/4/2016[2]	120.7	120.7	–
GE/2013/16	Civil Engineering and Development Department	Landslip Prevention and Mitigation Programme, 2008, Package N, Landslip Prevention and Mitigation Works in Sham Wat, Tai O East, Upper Keung Shan, and Keung Shan Road East in West Lantau	21/4/2018[1]	241.3	225.3	16.0
CV/2015/01	Civil Engineering and Development Department	Provision of Universal Access Facilities for Highway Structures – Package 1 Contract 2	8/11/2019	254.1	187.4	66.7
GW/2015/ 05/038	West Kowloon Cultural District Authority	Public Infrastructure Works for Phase 1 Development of West Kowloon Cultural District (Package 1)	9/1/2018[1]	132.4	123.3	9.1

MANAGEMENT DISCUSSION AND ANALYSIS

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated Contract sum *HK$ million*	Cumulative revenue recognised *HK$ million*	Further revenue expected to be recognised *HK$ million*
NE/2016/05	Civil Engineering and Development Department	Development of Anderson Road Quarry Site - Pedestrian Connectivity Facilities Works Phase 1	30/3/2020	299.0	94.4	204.6
GE/2018/03	Civil Engineering and Development Department	Landslip Prevention and Mitigation Programme, 2012, Package C, Landslip Prevention and Mitigation Works in Lantau and Hong Kong Island	25/12/2020	113.9	15.5	98.4
P20000489	Architectural Services Department	Refurbishment of Shek Kwu Lung Village Public Toilet	23/5/2019	1.7	0.5	1.2
DC/2018/10	Drainage Services Department	Condition Survey and Rehabilitation of Underground Sewers and Stormwater Drains – Stage 1	13/4/2022	158.9	0.5	158.4
20170102	Housing Authority	Road Improvement Works at Ma On Shan, Sha Tin	15/12/2021	233.9	0.9	233.0
2018-JA-JPCT-01	Rungrueangkit Construction Engineering Co. Ltd (formerly known as JPC Group (Thailand) Co. Ltd.)	JW Marriott and Courtyard Hotel in Chalong Bay, Phuket, Thailand	30/11/2018[3]	116.6	116.6	–
Total					1,782.9	849.6

Note (1): The extended completion date was the date previously agreed with the customer. We had applied to the customer for a further extension of time and such application was being considered by the customer as at the date of this Reporting Year.

(2): Date of substantial completion

(3): On 29 November 2018, the Group entered into a tri-party agreement in relation to the resort hotel project in Phuket, Thailand, pursuant to which it was agreed that, due to the revision to certain designs of the hotel required by the hotel owner, the Group and the customer (namely Rungrueangkit Construction Engineering Co. Ltd) (the "**RCE**") agreed that the Group shall cease to perform the contractual obligations or bear the related legal liabilities under the original outsource hotel construction project contract. RCE will pay the value of works completed by the Group, the project deposit together with the construction advance payments and related interests to the Group after the completion of the hotel construction.

MANAGEMENT DISCUSSION AND ANALYSIS

Tendered by the Group's joint venture or joint operations

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated Contract sum *HK$ million*	Estimated Total revenue to be received by our Group *HK$ million*	Cumulative Amount of revenue recognised by our Group *HK$ million*	Further revenue expected to be recognised by Our Group *HK$ million*
HY/2014/12	Highways Department ("**HyD**")	Provision of Barrier-free Access Facilities for Highways Structures – Phase 3 Contract 6	15/7/2019	215.2	109.8	99.5	10.3
HY/2013/19	HyD	Retrofitting of Noise Barriers on Tuen Mun Road – Town Centre Section	27/12/2019	585.0	298.4	242.9	55.5
HY/2014/14	HyD	Retrfitting of Noise Barriers on Tuen Mun Road – Fu Tei Section	27/6/2020	462.8	236.0	162.9	73.1
CV/2015/08	Civil Engineering and Development Department	Provision of Universal Access Facilities for Highway Structure – Package 1, Contract 3	28/1/2020	158.5	103.0	67.3	35.7
1/WSD/17(L)	WSD	Term contract for Waterworks District L – Lantau and the Outlying Islands	31/8/2020	198.1	101.0	59.1	41.9
DC/2017/04	Drainage Services Department	Drainage Maintenance and Construction in Hong Kong Island and Islands Districts (2017-2021)	22/9/2021	308.0	157.1	28.2	128.9
Total					1,005.3	659.9	345.4

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the Reporting Year amounted to approximately HK$731.84 million (2018: approximately HK$637.25 million), represented an increase of 14.8% or approximately HK$94.59 million as compared to the year ended 31 March 2018.

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Waterworks	**107,007**	108,456
Road works and drainage and site formation works	**480,369**	447,452
LPM Services	**27,863**	81,342
Hotel construction project in Phuket, Thailand	**116,600**	–
	731,839	637,250

Revenue in the waterworks engineering services remained stable as compared to last year.

During the Reporting Year, revenue in the road works and drainage category increased by 7.4% to approximately HK$480.37 million (2018: approximately HK$447.45 million), primarily due to the contribution of approximately HK$289.24 million in revenue from the contracts HY/2013/19, HY/2014/14, NE/2016/05 and CV/2015/01 for the year ended 31 March 2019 (2018: approximately HK$189.85 million). There was also an additional revenue contribution of approximately HK$28.16 million from the new contract DC/2017/04 for the year ended 31 March 2019. However, certain contracts of the Group, mainly included DC/2012/05, KL/2012/03, NE/2016/04 and HY/2014/12, have substantially completed during the Reporting Year and contributed a revenue in aggregate of approximately HK$94.95 million for the year ended 31 March 2019 (2018: approximately HK$194.26 million), which have offset most of the increase.

Revenue in the LPM works for the Reporting Year decreased by 65.7% to approximately HK$27.86 million (2018: approximately HK$81.34 million), mainly due to the project GE/2013/16 has already completed during the last year, which has contributed a revenue of approximately HK$61.10 million to the Group for the last year.

Our first overseas project, the hotel construction project in Phuket, Thailand, involves construction of the JW Marriott and Courtyard Hotel in Phuket, Thailand. The construction works in which the Group participated has substantially completed during the Reporting Year, and contributed a revenue of approximately HK$116.60 million to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

Cost of services increased from approximately HK$564.00 million for the year ended 31 March 2018 to approximately HK$662.05 million for the Reporting Year, representing an increase of 17.4%. The increase was mainly attributable to the recognition of cost of the hotel construction in Phuket, Thailand of approximately HK$111.05 million during the Reporting Year.

Gross profit and gross profit margin

The gross profit margins by categories of works performed are set out below:

	Year ended 31 March	
	2019	2018
Waterworks	**7.8%**	19.6%
Road works and drainage and site formation works	**12.0%**	3.2%
LPM Services	**0.1%**	62.1%
Hotel construction project in Phuket, Thailand	**5%**	–

The gross profit margin for waterworks engineering service dropped to 7.8% for the Reporting Year (2018: 19.6%). Such decrease was mainly due to the substantial completion and additional payments received for the contract 10/WSD/10 during the last reporting year, which resulted in a significant increase in gross profit margin for the last year.

The gross profit margin for road works and drainage and site formation works service increased to 12.0% for the Reporting Year (2018: 3.2%). Such increase was mainly attributable to the substantial completion and additional payments received for the contract KL/2012/03 during the Reporting Year, which contributed to the Group a comparatively higher gross profit margin for the year ended 31 March 2019.

The gross profit margin for the LPM Service decreased significantly to 0.1% for the Reporting Year (2018: 62.1%). Such decrease was mainly due to the one-off recognition of the payments received as revenue upon completion of the projects GE/2010/21, GE/2012/11, GE/2013/06 and GE/2013/17 in the last year, while the project GE/2013/16 has substantially completed and additional payments has been received in the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and other gain

Other income and other gain for the Reporting Year amounted to approximately HK$3.35 million (2018: approximately HK$3.40 million). Gain arisen from disposal of motor vehicles decreased by approximately HK$1.17 million as compared to last year, while other sundry income reduced by approximately HK$0.60 million as compared to last year. Nevertheless, interest income from receivables arisen from hotel construction project of the Group of HK$1.97 million has significantly offset the aforementioned decrease in the other income.

Administrative expenses

Administrative expenses for the Reporting Year amounted to approximately HK$36.58 million (2018: approximately HK$31.30 million), representing an increase of 16.87%. The increase was mainly due to the increase in staff cost of approximately HK$1.36 million and increase in professional fees of approximately HK$1.61 million during the Reporting Year.

Finance costs

Finance costs for the Reporting Year amounted to approximately HK$3.89 million (2018: approximately HK$2.71 million), which was mainly attributable to the increase in bank borrowings during the Reporting Year.

Income tax expenses

Income tax expenses for the Reporting Year amounted to approximately HK$6.58 million (2018: approximately HK$4.36 million). The increase in income tax expenses was mainly attributable to the tax for the Thailand hotel construction project, which amounted to HK$1.52 million.

Profit and total comprehensive income

Profit and total comprehensive income for the Reporting Year amounted to approximately HK$34.32 million (2018: approximately HK$30.31 million). The increase was mainly attributable to the share of loss of associates of HK$3.00 million and impairment loss on amounts due from associates of HK$5.00 million for the last year, while there was no such loss and impairment for the Reporting Year. Besides, the Group acquired common shares of a company listed on the Philippine Stock Exchange, Inc. during the current year, which were recognised as financial assets at fair value through other comprehensive income. Such financial assets also contributed a gain of approximately HK$8.00 million to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had net current assets of approximately HK$270.45 million (2018: approximately HK$294.83 million), representing a decrease of approximately HK$24.38 million, which was mainly attributable to the increase in bank borrowings.

The current ratio of the Group as at 31 March 2019 was approximately 2.01 times (2018: approximately 2.44 times), which remained stable as compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The cash and cash equivalents for the Reporting Year amounted to approximately HK$112.74 million (2018: approximately HK$170.46 million).

The gearing ratio, calculated based on the net debt (including amounts due to customers for contract work, trade and other payables, bank borrowings, amount due to a director, amounts due to other partner of a joint operation and less bank balances and cash and pledged bank deposits) divided by total capital plus net debt, was approximately 22.3% as at 31 March 2019 (2018: approximately 5.7%). The increase was mainly due to the bank borrowings of the Group increased from HK$21.14 million to HK$126.48 million as at 31 March 2019.

CAPITAL STRUCTURE

On 26 October 2017, the Company has issued 140,000,000 ordinary shares of HK$0.01 each upon the completion of the Subscription Agreement dated 1 September 2017 and the circular issued by the Company dated 29 September 2017. Save as aforesaid, there has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK$11.00 million and the number of ordinary shares issued was 1,100,000,000 of HK$0.01 each.

COMMITMENTS

The Group was committed to make future minimum lease payments in respect of properties under non-cancellable operating leases. The Group's operating lease commitments amounted to approximately HK$2.36 million as at 31 March 2019 (2018: approximately HK$1.81 million). As at 31 March 2019, the Group did not have any significant capital commitments (2018: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Reporting Year, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Save for certain litigations involved, the Group did not have any material contingent liabilities as at 31 March 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to trade and retention receivables and deposits with banks. The credit risk of the Group's trade and retention receivables is concentrated since 92% of which was derived from three major customers as at 31 March 2019 (2018: 98%). The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from nonperformance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

FOREIGN EXCHANGE MANAGEMENT

The Group mainly operates in Hong Kong, Philippines and Thailand with most of the transactions originally denominated in the respective local currency. Foreign exchange risk arises when future commercial transactions or recognised financial assets or liabilities are denominated in a currency that is not the entity's functional currency. As at 31 March 2019, the Group is exposed to foreign exchange risk from various currencies, primarily with respect to Philippine peso ("**PHP**") and Thai baht ("**THB**").

Except for performance deposits for construction projects and certain receivables denominated in THB and PHP, which is approximately HK$118.0 million and HK$29.6 million respectively, the Group will not be exposed to any other significant exchange risk.

The Group manage its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. As at 31 March 2019, the Group did not enter into any foreign exchange contracts, currency swaps or other financial derivatives. However, the management monitors foreign exchange exposure closely, especially to the performance deposit denominated in THB, and will consider hedging significant foreign currency exposure should the need arise.

CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

As at 31 March 2019, the Group pledged bank deposits amounted to approximately HK$43.75 million (2018: approximately HK$11.35 million) as securities for banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 397 employees, comprising 281 staff employed on a full-time basis and 116 casual workers. Staff costs, including Directors' emoluments, of the Group amounted to approximately HK$94.84 million for the Reporting Year (2018: approximately HK$92.65 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to individuals including employees, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company and any subsidiary to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high calibre employees.

LITIGATIONS

As at 31 March 2019, the Group was involved in certain litigations. In the opinion of the Directors, based on the advice of the Group's legal counsels, the possibility of any outflow of resources in settling these claims was remote and/or sufficient insurance policies are maintained to cover the loss, if any, and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board recognised that transparency and accountability are important to a listed company. Therefore, the Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly stringent regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

In the opinion of the Board, the Company has complied with the provisions of the CG Code for the year ended 31 March 2019 (the "**Reporting Year**") except for the following deviation.

CG Code Provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2019, only two board meetings were convened. However, the management have regularly updated the Board for the Group's business development with performance review through electronic means of communication. All the Board members are encouraged to express their opinions on the Company's matters. The Board was consulted for every crucial decision and the written resolutions were also circulated to all the Directors to obtain the board consents. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code. However, the Company will consider to hold regularly board meetings at approximately quarterly intervals in the future.

CG Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination committees and any other committees to attend. The chairman of the Board and the chairmen of the audit committee, the nomination committee and the risk management committee were not able to attend the annual general meeting of the Company held on 3 September 2018 due to other important business engagement. They had delegated the Chief Executive Officer to chair and be available to answer questions at the annual general meeting.

CG Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the year ended 31 March 2019, the chairman didn't hold a meeting with independent non-executive directors. Alternatively, He has directly communicated to independent non-executive directors individually through electronic means. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules (the "**Model Code**"). The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiries with the Directors, our Directors have confirmed that they have complied with the required standard of dealings regarding securities transactions by the Directors throughout the Reporting Year.

BOARD OF DIRECTORS

As at 31 March 2019, the Board comprised seven Directors, including four Executive Directors and three Independent Non-executive Directors. As at the date of this report, the Board comprised the following Directors:

Executive Directors
Mr. Chen Zhenghua
Mr. Zhang Fangbing
Mr. Wong Wa
Mr. Cao Lei

Independent Non-executive Directors
Prof. Lam Sing Kwong Simon
Mr. Lum Pak Sum
Mr. Gong Zhenzhi *(Appointed on 23 April 2018)*
Prof. Ho Ho Ming *(Resigned on 23 April 2018)*

The Board believes that the number of executive and non-executive directors is reasonable and adequate to provide sufficient balances that would safeguard the interests of the shareholders.

CORPORATE GOVERNANCE REPORT

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors make decisions objectively in the interests of the Company. The Board has the full support from the Executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the Executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent Non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed "Board Committees").

The biographical details of the Directors and other senior management are set out in the section headed with "Biographical Details of Directors and Senior Management" from pages 5 to 10 of this annual report. Save as disclosed in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

CHIEF EXECUTIVE OFFICER ("CEO")

The Company has appointed Mr. Tao Ming ("**Mr. Tao**") as CEO on 9 February 2018. The biographical details of Mr. Tao are set out in the section headed with "Biographical Details of Directors and Senior Management" of this annual report.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") from the date of Listing up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

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

The Nomination Committee will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will review the Board Diversity Policy as appropriate from time to time to ensure its effectiveness.

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the Reporting Year.

ATTENDANCE RECORDS OF MEETINGS

The Company convened and held two regular Board meetings during the Reporting Year.

Additional Board meetings will be convened, as and when required, to deal with ad hoc issues. Any Director who is not able to present physically may participate at any Board meeting through electronic means of communication, such as conference phone or other similar communication equipment, in accordance with the Articles.

Notice convening each regular Board meeting is sent at least 14 days in advance, and reasonable notice is given for other Board meetings and committee meetings. The Company Secretary assists the Board to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director at least 3 days before each Board meeting or committee meeting to enable the Directors to make informed decisions on the matters to be discussed, except where a Board meeting or committee meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes will normally be circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

CORPORATE GOVERNANCE REPORT

During the Reporting Year, two regular Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and the 2018 annual general meeting ("**AGM**") were held. Details of individual Directors' attendance at these meetings are set out in the following table:

	Attended/Eligible to attend					
Directors	**Regular Board Meeting**	**Audit Committee Meeting**	**Remuneration on Committee Meeting**	**Nomination Committee Meeting**	**Risk Management Committee**	**AGM**
Executive Directors						
Mr. Chen Zhenghua	2/2	N/A	N/A	0/1	N/A	0/1
Mr. Zhang Fangbing	2/2	N/A	0/1	N/A	N/A	1/1
Mr. Wong Wa	2/2	N/A	N/A	N/A	N/A	1/1
Mr. Cao Lei	2/2	N/A	N/A	N/A	N/A	0/1
Independent Non-Executive Directors						
Prof. Lam Sing Kwong, Simon	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Lum Pak Sum	2/2	2/2	1/1	N/A	1/1	1/1
Mr. Gong Zhenzhi	2/2	2/2	N/A	1/1	1/1	1/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our Executive Directors has entered into a service contract with our Company upon appointment and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with our Executive Directors are for an initial term of three years commencing from the date of appointment. The letters of appointment with each of our Independent Non-executive Directors are for an initial fixed term of three years commencing from the date of appointment. 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 and the applicable Listing Rules.

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

The Company has three Independent Non-executive Directors which complies with Rule 3.10(1) of the Listing Rules. Among the three Independent Non-executive Directors, Mr. Lum Pak Sum has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Independent Non-executive Directors represent at least one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

Independent Non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each of the Independent Non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independency pursuant to Rule 3.13 of the Listing Rules and the Company considers these Independent Non-executive Directors to be independent.

Pursuant to article 84(1) of the Articles, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office and shall be eligible to offer themselves for re-election. In addition, separate ordinary resolutions in relation to the proposed re-election of the retiring Directors should be put forward to the shareholders in the annual general meeting. The term of office of the Directors who have been re-elected shall commence from the date of the annual general meeting which approves their re-appointments and end at the conclusion of the third subsequent annual general meeting of the Company.

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an induction training so as to ensure that he has appropriate understanding of the Group's business and of his duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills. 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 Listing Rules.

All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year ended 31 March 2019 for ensuring their contribution to the Board remains informed and relevant. Such professional development was completed by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participating in business-related researches which are relevant to the business or directors' duties.

BOARD COMMITTEES

The Board has established four board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") and the risk management committee (the "**Risk Management Committee**"). Save for the Risk Management Committee, the written terms of reference are available on the websites of the Stock Exchange and the Company.

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, reviewing the Company's compliance with the code provisions in the CG Code and disclosures in this annual report.

AUDIT COMMITTEE

The Company established the Audit Committee on 16 March 2015 with written terms of reference in compliance with the Listing Rules. In accordance with provisions set out in the CG Code, these terms of reference are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

The Audit Committee currently consists of three Independent Non-executive Directors, namely Prof. Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi. The chairman of the Audit Committee is Mr. Lum Pak Sum, who has appropriate professional qualifications and experience in accounting matters.

The main duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independency, objectivity and the effectiveness of the audit process and to discuss the nature and scope of the audit with the external auditor. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) financial control, internal control and risk management systems of the Company.

The consolidated financial statements of the Group for the Reporting Year have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Reporting Year has complied with the applicable accounting standards, Listing Rules and that adequate disclosures have been made. The Audit Committee had reviewed the Group's consolidated financial statements for the Reporting Year.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Reporting Year.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established on 16 March 2015 comprising one Executive Director, namely Mr. Zhang Fangbing and two Independent Non-executive Directors, namely Prof. Lam Sing Kwong, Simon and Mr. Lum Pak Sum. Prof. Lam Sing Kwong, Simon is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policies 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 Directors and senior management and considered that they are fair and reasonable during the Reporting Year.

NOMINATION COMMITTEE

The Nomination Committee was established on 16 March 2015 comprising one Executive Director, namely Mr. Chen Zhenghua and two Independent Non-executive Directors, namely Prof. Lam Sing Kwong, Simon and Mr. Gong Zhenzhi. Mr. Gong Zhenzhi is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange.

CORPORATE GOVERNANCE REPORT

The primary duties of the Nomination Committee are to review and assess the structure, size and diversity of the Board and the independence of the Independent Non-executive Directors and makes 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 objective criteria and with due regards to the benefits of diversity on the Board. In designing the Board's composition, board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and 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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of directors and the senior management by band for the Reporting Year is set out below:

Remuneration band	Number of persons
Less than HK$500,000	4
HK$500,001 to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	2

Particulars regarding Directors' remuneration and the five highest paid employees are required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in Notes 10 and 11 to the consolidated financial statements in this annual report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditor, SHINEWING (HK) CPA Limited, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report included in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems on an annual basis. Such systems are 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. The Audit Committee and the Risk Management Committee assist the Board in fulfilling its oversee and corporate governance roles in the Group's financial, operational, procedural compliance, risk management and internal control functions.

Main Features of the systems

The Group has established a risk management framework integrated with the internal control system, which includes, but not limited to the participation of the Board, the Audit Committee and the Risk Management Committee. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the effectiveness of risk management. The Risk Management Committee meets, at least on an annual basis, to review the overall risk management strategies and the risk tolerance/ appetite level to assess the effectiveness of the Group in mitigating risks. On a daily basis, the management monitor the business operations to ensure their internal controls are implemented as intended. Any weaknesses identified would be remediated by the management immediately.

Risk identification Process

The Group has established an on-going process for identifying, evaluating and managing the significant risks of the Group. Such process comprises the following stages:

1. Risk identification – identify potential risks and recorded into the risk register, which summarize into four categories: reporting, operational, strategic and compliance risk;

2. Risk assessment and prioritization – assess the risks in terms of impact and vulnerability, then assign a rating and prioritize in descending order;

3. Risk response – risk can be accepted, mitigated, shared, or avoided. A remediation plan will be established to respond to the identified risks;

4. Risk monitoring – monitor the effectiveness of the remediation plan on a periodic basis.

Procedures for the handling and dissemination of inside information

The Board has established a policy on the procedures and internal controls for the handling and dissemination of inside information. For any material violation of this policy, the Board will decide, or designate appropriate personnel to decide the course of actions for rectifying the problems and avoiding recurrence. The Group handles and disseminates inside information with due care. Staff is required to comply with confidentiality terms. Only personnel at appropriate level can get reach of price sensitive and inside information.

CORPORATE GOVERNANCE REPORT

Internal Audit

An independent consulting firm (the "**Firm**") has been engaged to work with the Group to perform the Internal Audit functions. Key risks and internal controls for selected processes are assessed by the Firm. The review results and proposed recommendations are communicated to senior management, the Audit Committee and the Risk Management Committee. The Board, through the Audit Committee and the Risk Management Committee, has reviewed the results of the work done by the Firm in relation to the effectiveness of the internal control and risk management systems of the Group. In response to any material internal control defects identified, the Firm would provide recommendations for major observations of control weaknesses. Management will take suggestions raised by the Firm to further enhance its risk management and internal control systems.

The Board has reviewed and confirmed the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions. There is no significant control weaknesses noted for the Reporting Year. The Board confirms that the Group's risk management and internal control systems are effective and adequate.

AUDITOR'S REMUNERATION

SHINEWING (HK) CPA Limited was appointed as the external auditor of the Company. During the Reporting Year, the total fees paid and payable to SHINEWING (HK) CPA Limited amounted to HK$1,100,000 for audit services.

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

COMPANY SECRETARY

Mr. Fung Kwok Wai ("**Mr. Fung**") is the Company Secretary of the Company, whose biographical details are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. Mr. Fung has informed the Company that he has taken more than 15 hours of relevant professional training for the Reporting Year. The Company considers that the training of the Company Secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules for the Reporting Year.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant change in the constitutional documents of the Company during the Reporting Year.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the website of The Stock Exchange 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**") (as the case may be) pursuant to the 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 article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors and welcomes suggestions from investors, shareholders and the public.

Enquiries and concerns to the Board and the Company may be sent by post to the head office and principal place of business of the Company in Hong Kong at "Unit 2801, 118 Connaught Road West, Hong Kong", for the attention of the Board and/or the company secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

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

(a) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange "www.hkexnews.hk" and the Company's website at "www.kwanonconstruction.com";

(b) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(c) corporate information is made available on the Company's website;

(d) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

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

ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Our Group implements green office practices which include double-sided printing, copying, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. Our Group will review the environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's business and enhance environmental sustainability.

ESG POLICIES AND PERFORMANCE

During the Reporting Year, the Group has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance ("**ESG**") Reporting Guide. Information about the Company's ESG policies and performance during the Reporting Year will be set out in the Environmental, Social and Governance Report to be available on the Company's website.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the "**Reporting Year**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 1 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Reporting Year.

FINANCIAL RESULTS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 54 and 55 of this annual report.

BUSINESS REVIEW

Further discussion and analysis of the business activities of the Group, including a business review of the Group for the Reporting Year and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis as set out on pages 11 to 19 of this annual report. These discussions form part of this Directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

Our Group relies on the contracts granted by the Government, and our Group's business, results of operations and profitability may be adversely affected if we fail to secure contracts from the Government or there is any significant reduction of such contracts in the future

During the Reporting Year, the customer base of our Group was highly concentrated. Revenue generated from Government contracts represented approximately 83.6% (2018: 99.7%) of our Group's total revenue for the Reporting Year. Contracts from the Government are normally awarded to contractors on the Contractor List and the Specialist List by way of public tender. Approved contractors on the Contractor List and approved specialist contractors on the Specialist List are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by those contractors carrying out the Government's works. An approved contractor could be prohibited from tendering for public works of the relevant category during a suspension period if a serious construction accident occurs at a construction site for which such contractor is responsible for the safety performance of such contractor is not satisfactory. There is no assurance that serious accident will not occur at construction sites for which we are responsible for, or that we will not be subject to regulatory actions in the future which may have an adverse impact on our overall operations or on our eligibility to tender for public works of the Government. In the event that our Group fails to secure contracts from the Government or there is significant reduction of contracts from the Government in the future, our Group's business, results of operations and profitability may be adversely affected.

REPORT OF THE DIRECTORS

Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results

All of our revenue during the Reporting Year was derived from undertaking (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) LPM Services; and (iv) building works as a contractor in Hong Kong. We also engaged in building works in the Southeast Asia. Our engagements with customers were on a project basis and non-recurring in nature. We did not enter into any long term agreement or master service agreement with our customers as at the date of this annual report. After completion of the projects, our customers are not obliged to engage us again in subsequent projects, and we have to undergo the tendering process for every new project. There is no assurance that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue, and our operations and financial results would hence be adversely affected.

Our Group's business is labour-intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

Our construction works are labour-intensive in nature. During the Reporting Year, our Group and our subcontractors did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, there is no assurance that we will not experience these problems in the future when the peak load of construction activities is ongoing. In the event that there is a significant increase in the costs and demand of labour and we have to retain our labour by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and within budget, our Group's operations and profitability may be adversely affected.

Delay in the commencement of public projects, which may be caused by factors such as political disagreements, delay in approval of funding proposals, and the occurrence of large scale demonstration or occupation activities may adversely affect our operations and results of operation.

Delay in the commencement of public projects may be caused by factors such as political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Any large-scale protests or occupation activity may also delay the construction works to be carried out in the affected areas. Our engagement in public projects depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members thereof has often led to delays in the passing of public works funding proposals in recent years. Any change of the political environment in Hong Kong may affect the economy and construction industry in the region, which may adversely affect our operations and results of operations. The delay in the commencement of public projects may affect the utilisation of our equipment and our results of operation if we are not able to engage our equipment for other projects at the same or similar level. Further, the uncertainty on the commencement the relevant projects also make it more difficult for us to make accurate planning for the demand, deployment, utilisation of our equipment, which may adversely affect our operations and financial performance.

Our Group has been committed to exploring the Southeast Asia market and may encounter business risk in oversea business markets

In order to enhance its overall business development and profitability, the Group has been committed to exploring the Southeast Asia market in recent years, including Thailand and the Philippines. Although the Group has conducted due diligence prior to the relevant investments, the relevant business, financial condition and results of operations are still subject to risks and uncertainties in the countries in which the operations are conducted, including but not limited to international, regional and local economic and political conditions, Regulatory policies, local government policies and threshold requirements for infrastructure projects, restrictions on foreign investment and repatriation of earnings. In the event of any adverse change in these operating environments and laws, regulations or policies, the Group may be required to revoke or revise the existing arrangements in such countries, which may adversely affect its business, financial condition and results of operations.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is dedicated to maintain sustainable working practices and pay close attention to ensure all resources are efficiently utilised. We strive to become an environmental-friendly corporation, and that we had placed an environmental officer in each of our contract to monitor and implement the project environmental management system.

We have an environmental management plan for each contract undertaken by our Group, which sets out our general environmental policies, organisational structure and responsibilities of our environmental protection team, in-house rules and regulations, environmental performance monitoring, implementation measures, waste management measures and review of requirements.

REPORT OF THE DIRECTORS

The Group and its business activities are subject to requirements under various laws. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors are of view that employees, customers and business partners are the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relations with its employees and business partners and it endeavours to improve the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. We provide various types of trainings to our employees, including (i) conducting in-house continuous professional development seminars; (ii) subsidizing our staff in pursuing further studies in related fields; and (iii) provision of safety training programme to staff to enhance their safety awareness.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the largest customer accounted for approximately 37.9% (2018: 54.2%) of the Group's total revenues. The five largest customers accounted for approximately 95.4% (2018: 99.2%) of the Group's total revenue for the Reporting Year.

The Group five largest suppliers together accounted for approximately 51.7% (2018: approximately 59.5%) of the Group's total cost of services for the Reporting Year. The largest subcontractor accounted for approximately 30.1% (2018: approximately 25.2%) of the total cost of services of the Group for the Reporting Year.

Other than as set out in the paragraph above, to the best knowledge of the Directors, neither the Directors, their associates, nor any Shareholders, who owned more than 5% of the Company's issued voting shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the Reporting Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in Note 14 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") of the Company was adopted on 16 March 2015. There were no share option granted or agreed to be granted under the Scheme since the date of the adoption to the date of this annual report.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any Director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board has contributed or may contribute to the Group as incentive or reward for their contribution to the Group.

(b) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of shares as equals 10% of the issued share capital of the Company at the date of approval of the Scheme, being 960,000,000 shares, unless the Company obtains a fresh approval.

(c) Maximum number of options to any one grantee

Unless approved by the shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each grantee in any 12-month period must not exceed 1% of the shares in issue.

REPORT OF THE DIRECTORS

(d) Price of shares

The subscription price for shares under Scheme shall be determined at the discretion of the Directors but will not be less than the highest of:

(i) The closing price of the shares on the Stock Exchange as shown in the daily quotation sheet of the Stock Exchange on the offer date of the particular option, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("**Business Day**");

(ii) The average of the closing prices of the shares shown in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the offer date of that particular option; and

(iii) The nominal value of a share on the offer date of the particular option.

(e) Time of exercise of option

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but not later than 10 years from the date of grant but subject to the early termination of the Scheme.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Year are set out in Note 24 to the financial statements

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Year are set out in Note 31(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the Reporting Year.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained public float as required under the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors
Mr. Chen Zhenghua *(Chairman)*
Mr. Zhang Fangbing
Mr. Wong Wa
Mr. Cao Lei

Independent Non-executive Directors
Prof. Lam Sing Kwong, Simon
Mr. Lum Pak Sum
Mr. Gong Zhenzhi *(Appointed on 23 April 2018)*
Prof. Ho Ho Ming *(Resigned on 23 April 2018)*

Pursuant to article 83(3) of the articles of association of the Company (the "**Articles**"), the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the shareholders of the Company after his appointment and be subject to re-election. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of 3), the number nearest to but not less than one-third shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

In accordance with articles 83(3) and 84(2) of the articles of association of the Company, Mr. Chen Zhenghua, Mr. Zhang Fangbing and Mr. Wong Wa, will retire and being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

Biographical details of the Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management". Information regarding Directors' and Chief Executive's emoluments is set out in Note 10 to the consolidated financial statements. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules have been received from each of the Independent Non-executive Directors.

REPORT OF THE DIRECTORS

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 5 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date of appointment, as appropriate and will continue thereafter until terminated in accordance with the terms of the contract. Independent Non-executive Directors are appointed for a term of three years initially and will continue thereafter unless terminated by either party giving at least three months' notice in writing.

INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors nor their respective associates (as defined in the Listing Rules) had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

The Independent Non-executive Directors have also reviewed the compliance by each of the Covenators with the Undertaking during the Reporting Year. The Independent Non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Covenators of the Undertaking given by them.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 10 and 11 to the consolidated financial statements.

The Remuneration Committee of the Company will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Scheme.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change in the information of the Directors required to be disclosed under the Listing Rules for the Reporting Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 March 2019, the interests and short positions of the Directors and CEO in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

Name	Capacity	Number of issued Shares interested	Percentage of the issued share capital of the Company
Mr. Chen Zhenghua ("**Mr. Chen**") *(Note 1)*	Interest of controlled corporation	248,000,000 (L)	22.55%
Mr. Zhang Fangbing ("**Mr. Zhang**") *(Note 1)*	Interest of corporation	248,000,000 (L)	22.55%

Notes:

1. The interests of Mr. Chen and Mr. Zhang was held by Sino Coronet, which is a wholly-owned subsidiary of 江蘇省建築工程集團有限公司. 江蘇省建築工程集團有限公司 is beneficially owned as to 50% by 綠地城市投資集團有限公司, and as to 35% by 江蘇華遠投資集團有限公司. 江蘇華遠投資集團有限公司 is owned as to 89.3% by Mr. Chen and 10.7% by 江蘇省城開投資有限公司, which is owned as to approximately 45.17% by Mr. Chen and approximately 1.25% by Mr. Zhang, an Executive Director of the Company and approximately 53.58% by independent third parties.

Saved as disclosed above, none of the Directors and Chief Executive of the Company had any other interests or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to Appendix 10 to the Listing Rules.

REPORT OF THE DIRECTORS

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

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 March 2019, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and CEO.

Name	Capacity	Number of issued Shares interested	Percentage of the issued share capital of the Company
Sino Coronet Group Limited ("**Sino Coronet**") *(Note 1)*	Beneficial owner	248,000,000 (L)	22.55%
江蘇省建築工程集團有限公司 ("**Jiangsu Construction**") *(Note 1)*	Interest of controlled corporation	248,000,000 (L)	22.55%
江蘇華遠投資集團有限公司 *(Note 1)*	Interest of controlled corporation	248,000,000 (L)	22.55%
Mr. Chen Zhenghua ("**Mr. Chen**") *(Note 1)*	Interest of controlled corporation	248,000,000 (L)	22.55%
綠地城市投資集團有限公司 *(Note 1)*	Interest of controlled corporation	248,000,000 (L)	22.55%
綠地控股集團有限公司 *(Note 1)*	Interest of controlled corporation	248,000,000 (L)	22.55%
綠地控股集團股份有限公司 *(Note 1)*	Interest of controlled corporation	248,000,000 (L)	22.55%
Rosy Height Holdings Limited	Beneficial owner	66,000,000 (L)	6.00%
Gorgeous Holding Limited *(Note 2)*	Interest of controlled corporation	66,000,000 (L)	6.00%
New York Private Trust Company *(Note 2)*	Interest of controlled corporation	66,000,000 (L)	6.00%

Notes:

1. Sino Coronet is a wholly-owned subsidiary of Jiangsu Construction, which is beneficially owned as to 50% by Greenland City Investment Group Co., Ltd. (綠地城市投資集團有限公司) ("**Greenland City Investment**"), as to 35% by Jiangsu Huayuan Investment Group Co. Ltd. (江蘇華遠投資集團有限公司) ("**Jiangsu Huayuan**") and as to 15% by Nanking City Development Holdings Investment Partnership (Limited Partnership) (南京城開股權投資合夥企業(有限合夥)) ("**Nanking City Development**"). Nanking City Development are owned by independent third parties.

   Greenland City Investment is owned as to 94.74% by Greenland Holdings Group Co., Ltd. (綠地控股集團有限公司) ("**Greenland Group**"), which is in turn wholly-owned by Greenland Holdings Group Stock Co., Ltd. (綠地控股集團股份有限公司) ("**Greenland Holdings**").

   Jiangsu Huayuan is owned as to 89.3% by Mr. Chen Zhenhua ("**Mr. Chen**"), chairman of the Board and an executive Director and 10.7% by Jiangsu Province City Development Investment Co., Ltd. (江蘇省城開投資有限公司) ("**Jiangsu City Development**"), which is owned as to approximately 45.17% by Mr. Chen.

   Accordingly, Jiangsu Construction, Jiangsu Huayuan, Mr. Chen, Greenland City Investment, Greenland Group and Greenland Holdings are deemed to be interested in such 248,000,000 shares.

2. The 66,000,000 Shares were held by Rosy Height, which is wholly-owned by Gorgeous Holding Limited ("**Gorgeous Holding**") and Gorgeous Holding is wholly owned by New York Private Trust Company ("**NY Private Trust**"). Accordingly, Gorgeous Holding and NY Private Trust are deemed to be interested in such 66,000,000 Shares.

Saved as disclosed above, none of the Directors and CEO had any other interests or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to Appendix 10 to the Listing Rules.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party and connected transactions of the Group are set out in Note 30 to the consolidated financial statements. The related party transactions set out in Note 30 to the consolidated financial statements were fully exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions Exempt from the Circular, Independent Financial Advice and Shareholders' Approval Requirements

On 29 July 2012, Kwan On Construction Company Limited ("**Kwan On Construction**"), a wholly-owned subsidiary of the Company, formed an unincorporated joint venture, Kwan On – U-Tech, with U-Tech for the purpose of preparing and submitting the joint tender and subsequent execution of the works relating to the contract 10/WSD/10. U-Tech is regarded as a connected person at the subsidiary level of the Company by reason of its ability to exercise influence over the affairs of Kwan On – U-Tech.

Joint operation formed by Kwan On Construction and U-Tech

On 16 December 2013, Kwan On Construction and U-Tech entered into an agreement pursuant to which Kwan On Construction and U-Tech agreed to share the surplus, loss, assets and liabilities, rights and obligations arising from their cooperation in the project for the contract 9/WSD/13 in equal shares. There is no monetary consideration payable by either party under this agreement and hence no transaction amount has been recorded for this connected transaction.

Financial guarantee by a substantial shareholder of the Company

In accordance with the relevant arrangements entered into with a main contractor in the overseas hotel construction project in Thailand, the main contractor had assumed the obligation to pay the costs incurred by the Group on the project of HK$111,048,000 and thus a net receivable and interest receivable of HK$12,930,000 as at 31 March 2019. Such net receivable, receivable for the cost incurred and the interest thereon were guaranteed by a substantial shareholder of the Company. The guarantee is conducted on normal commercial terms and is not secured by the assets of our Group.

During the year ended 31 March 2019, a performance deposit amounted to PHP198,545,576 (equivalent to HK$29,582,000) was paid to the land owner for construction project in Philippines. It is secured by the pledge of entire equity interests in the land owner and is guaranteed by a substantial shareholder of the Company. The guarantee is conducted on normal commercial terms and is not secured by the asset of our Group.

Subcontracting arrangements

During the Reporting Year, the following subcontracting arrangements had been entered into between certain members of the Group and U-Tech:

1. on 24 August 2011, Kwan On – U-Tech (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On – U-Tech agreed to engage U-Tech as a subcontractor to perform water mains rehabilitation in Shatin and Sai Kung at approximately HK$33.8 million (subject to adjustment) on a back to back basis as required under the main contract entered into between Kwan On – U-Tech and WSD for project 10/WSD/10. The subcontract sum shall be payable by Kwan On – U-Tech to U-Tech in stages in accordance with the terms of the articles of agreement and based on the value of work done measured (the "**10/WSD/10 Subcontracting Arrangement**"); and

The total contract sum under the 10/WSD/10 Subcontracting Arrangement was determined based on the schedule of rates agreed by Kwan On – U-Tech and U-Tech by reference to the prevailing market rates. The contract sum paid by Kwan On – U-Tech to U-Tech under the 10/WSD/10 Subcontracting Arrangement for the Reporting Year amounted to approximately HK$56,000 (2018: HK$73,000).

2. on 18 September 2013, Kwan On Construction (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On Construction agreed to engage U-Tech as a subcontractor to perform the sub-contract for Box Culvert and pumping station at approximately HK$70.4 million (subject to adjustment) on a back to back basis as required under the main contract entered into between Kwan On Construction and CEDD for project KL/2012/03. The subcontract sum shall be payable by Kwan On Construction to U-Tech in stages in accordance with the terms of the articles of agreement and based on the value of work done measured (the "**KL/2012/03 Subcontracting Arrangement**").

   The total contract sum under the KL/2012/03 Subcontracting Arrangement was determined based on the tender submitted by Kwan On Construction. No payment was paid by Kwan On Construction to U-Tech under the KL/2012/03 Subcontracting Arrangement for the Reporting Year (2018: HK$0.5 million).

The Directors, including the Independent Non-executive Directors, consider that all the continuing connected transactions above are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole and are in the ordinary and usual course of the business.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

EQUITY-LINK AGREEMENTS

Save as disclosed in this annual report relating to share option scheme, no equity-link agreement have been entered into during the Reporting Year or subsisted at the end of the Reporting Year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance to which the Company or any of its subsidiaries was a party in which a Director had a material interest subsisted at the end of the Reporting Year or any time during the Reporting Year.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

EMPLOYEES AND REMUNERATION POLICIES

The employees and remuneration policies of the Group during the Reporting Year is set out in the subsection headed "Employees and Remuneration Policies" on page 19 of this annual report. The content is part of the Management Discussion and Analysis.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than shareholdings disclosed above, at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EVENTS AFTER THE REPORTING YEAR

On 3 June 2019, the Group entered into the subscription agreement with a Subscriber, Splendid Horizon Limited (the "**Subscriber**") pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 220,000,000 subscription shares at the subscription price at HK$0.485 per each share. Details the share of the Company, are set out in the Company's announcements on 3 June 2019 and 4 June 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, discussed internal controls, risk management and financial reporting matters and the audited consolidated financial statements for the Reporting Year.

AUDITORS

The consolidated financial statements for the Reporting Year have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Wednesday, 25 September 2019. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 19 September 2019 to Wednesday, 25 September 2019 (both days inclusive), during which period no share transfers will be registered.

In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 19 September 2019.

On behalf of the Board
Chen Zhenghua
Chairman

Hong Kong, 28 June 2019

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF KWAN ON HOLDINGS LIMITED
均安控股有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Kwan On Holdings Company (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 54 to 151, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

Accounting measurement for construction contracts

Refer to Note 6 to the consolidated financial statements and the accounting policies on pages 75 to 80.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2019, the Group has recognised contract revenue from construction works of approximately HK$731,839,000. Such revenue was recognised over time based on the progress measured using an input method – based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation of the construction services which involves significant management judgment and estimation. Management estimate the budgeted costs at the commencement of the contracts and regularly assess the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimation of costs as well as the progress of related construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised.	We evaluated the design, implementation and operating effectiveness of key internal controls over revenue recognition. We assessed the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers. We have obtained a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements and certifications referred to by management in its assessment of the estimated costs to completion. We selected a sample of incomplete contracts as at year end and checked calculation of significant components of budgeted contract costs and actual contract costs to supporting documents such as purchase orders of equipment and contracts with subcontractors. We selected a sample of completed contracts during the year and checked the historical reliability of the budgeted contract costs. We re-performed on a sample basis the calculation of revenue recognised during the year based on the input method. We arranged confirmations, on a sample basis, to confirm the contract sum, progress billing amount and percentage of completion of individual projects.

INDEPENDENT AUDITOR'S REPORT

Recoverability of trade and other receivables and contract assets

Refer to Notes 18 and 19 to the consolidated financial statements and the accounting policies on pages 87 to 101.

The key audit matter	How the matter was addressed in our audit
The Group had trade and other receivables and contract assets of approximately HK$252,323,000 and HK$129,024,000 respectively as at 31 March 2019, net of accumulated impairment losses of HK$2,557,000 and HK$20,000 respectively. The adoption of HKFRS 9 has fundamentally changed the Group's accounting for loss impairment by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. We identified the impairment of trade and other receivables and contract assets as a key audit matter due to the significance to the Group's consolidated financial statements and the involvement of subjective judgements and management estimates based on the historical default rates, past-due status and aging information of the debtors and the forward-looking information in evaluating the expected-credit losses ("**ECL**") of the Group's trade *receivables, other* receivable and contract assets at the end of the reporting period.	Our procedures were designed to obtain and review the management's assessment of the impairment of trade receivables, other receivables and contract assets. We have understood the key controls on how the management estimates the loss allowance for trade receivables, other receivables and contract assets. We have tested the accuracy of the ECL adjustment made by the Group as at 1 April 2018 on initial adoption of HKFRS 9 and the information used by management to develop the provision matrix, including ageing analysis as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant contracts, invoices and other supporting documents. We have challenged management's basis and judgement in determining credit loss allowance on trade receivables, other receivables and contract assets as at 1 April 2018 and 31 March 2019, including the reasonableness of management's grouping of trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix with reference to historical default rates and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the 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 of the Company and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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, solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment 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 of the Company.

- Conclude on the appropriateness of the Company's 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

We also provide those charged with governance 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 those charged with governance, 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 Mr. Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	6	**731,839**	637,250
Cost of services		**(662,046)**	(564,002)
Gross profit		**69,793**	73,248
Other income	6	**3,304**	2,215
Other gain	6	**47**	1,219
Administrative expenses		**(36,575)**	(31,307)
Share of loss of associates	15	**–**	(3,000)
Impairment loss on amounts due from associates	15	**–**	(5,000)
Finance costs	7	**(3,888)**	(2,707)
Profit before tax		**32,681**	34,668
Income tax expenses	8	**(6,577)**	(4,361)
Profit for the year	9	**26,104**	30,307
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Fair value gain on financial assets at fair value through other comprehensive income		**8,009**	–
		8,009	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**204**	–
		204	–
Other comprehensive income for the year		**8,213**	–
Total comprehensive income for the year		**34,317**	30,307

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Profit for the year attributable to:			
Owners of the Company		**24,271**	27,075
Non-controlling interests		**1,833**	3,232
		26,104	30,307
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**32,484**	27,075
Non-controlling interests		**1,833**	3,232
		34,317	30,307
Earnings per share			
Basic and diluted (HK cents)	13	**2.21**	2.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**41,535**	41,486
Interests in associates	15	**–**	–
Financial assets at fair value through other comprehensive income	17	**50,360**	–
Prepayments	18	**10,806**	7,084
		102,701	48,570
Current assets			
Inventories	16	**–**	2,880
Amounts due from customers for contract work	19	**–**	65,329
Trade and other receivables	18	**252,323**	249,377
Amounts due from other partners of joint operations	25	**2**	3
Contract assets	19	**129,024**	–
Pledged bank deposits	20	**43,745**	11,345
Bank balances and cash	20	**112,742**	170,455
		537,836	499,389
Current liabilities			
Amounts due to customers for contract work	19	**–**	25,751
Contract liabilities	19	**11,537**	–
Trade and other payables	21	**125,129**	155,591
Bank borrowings	22	**126,482**	21,135
Income tax payable		**4,238**	2,082
		267,386	204,559
Net current assets		**270,450**	294,830
Total assets less current liabilities		**373,151**	343,400
Non-current liability			
Deferred tax liabilities	23	**464**	268
NET ASSETS		**372,687**	343,132

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Capital and Reserves			
Share capital	24	**11,000**	11,000
Reserves		**360,401**	329,379
Equity attributable to owners of the Company		**371,401**	340,379
Non-controlling interests		**1,286**	2,753
TOTAL EQUITY		**372,687**	343,132

The consolidated financial statements on pages 54 to 151 were approved and authorised for issue by the board of directors on 28 June 2019 and are signed on its behalf by:

Mr. Zhang Fanbing
Director

Mr. Wong Wa
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Capital reserve HK$'000 (Note c)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017	9,600	23,811	9,755	22,968	12,544	53,351	132,029	3,451	135,480
Profit and total comprehensive income for the year	–	–	–	–	–	27,075	27,075	3,232	30,307
Distribution paid to non-controlling interests	–	–	–	–	–	–	–	(3,930)	(3,930)
Issue of shares upon subscription	1,400	180,600	–	–	–	–	182,000	–	182,000
Transaction costs attributable to subscription of shares	–	(725)	–	–	–	–	(725)	–	(725)
At 31 March 2018	11,000	203,686	9,755	22,968	12,544	80,426	340,379	2,753	343,132

	Attributable to owners of the Company										
	Share capital HK$'000	**Share premium HK$'000**	**Merger reserve HK$'000 (Note a)**	**Translation reserve HK$'000**	**Contributed surplus HK$'000 (Note b)**	**Capital reserve HK$'000 (Note c)**	**Revaluation reserve HK$'000**	**Retained earnings HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
At 1 April 2018	**11,000**	**203,686**	**9,755**	**–**	**22,968**	**12,544**	**–**	**80,426**	**340,379**	**2,753**	**343,132**
HKFRS 9 adjustment on retained profits (Note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,462)**	**(1,462)**	**–**	**(1,462)**
At 1 April 2018, as restated	**11,000**	**203,686**	**9,755**	**–**	**22,968**	**12,544**	**–**	**78,964**	**338,917**	**2,753**	**341,670**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,271**	**24,271**	**1,833**	**26,104**
Other comprehensive income for the year	**–**	**–**	**–**	**204**	**–**	**–**	**8,009**	**–**	**8,213**	**–**	**8,213**
Distribution paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,300)**	**(3,300)**
At 31 March 2019	**11,000**	**203,686**	**9,755**	**204**	**22,968**	**12,544**	**8,009**	**103,235**	**371,401**	**1,286**	**372,687**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2019

Note a: The merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

Note b: Contributed surplus of approximately HK$22,968,000 represents the excess of the carrying amount of the Company's share of equity value of a subsidiary acquired and the nominal amount of the Company's shares issued for such acquisition at the time of the group reorganisation which were completed on 16 March 2015.

Note c: The capital reserve arose from capital contribution from equity holders resulted from the events set out below:

(i) Pursuant to a written confirmation on 23 March 2015, two of the Company's shareholders, Fortune Decade Investments Limited ("**Fortune Decade**") and Twilight Treasure Limited ("**Twilight Treasure**"), agreed to bear the listing expenses in connection with 120,000,000 sales shares sold through the placing of the Company's shares took place during the year ended 31 March 2015 and reimburse their share of these expenses to the Company upon the listing of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The reimbursement of approximately HK$7,453,000 by these shareholders in their capacity as shareholders was accounted for as capital contribution to the Company; and

(ii) The shareholders of certain subsidiaries of the Company agreed to repay the dividends previously received by them by the way of set-off against their respective amounts receivable from those subsidiaries of the Group. Such repayment of dividends was accounted for as capital contribution to the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**32,681**	34,668
Adjustments for:		
Depreciation of property, plant and equipment	**4,917**	4,865
Finance costs	**3,888**	2,707
Share of loss of associates	**–**	3,000
Impairment on amount due from associates	**–**	5,000
Interest income	**(2,238)**	(261)
Gain on disposal of property, plant and equipment	**(47)**	(1,219)
Operating cash flows before movements in working capital	**39,201**	48,760
Decrease in inventories	**2,880**	3,835
Increase in amounts due from customers for contract work	**–**	(8,515)
Increase in trade and other receivables and prepayments	**(35,911)**	(113,570)
Increase in contract assets	**(34,145)**	–
Decrease in trade and other payables	**(5,462)**	(6,766)
Decrease (increase) in amounts due from other partners of joint operations	**1**	(1)
Increase in contract liabilities	**(14,214)**	–
Decrease in amounts due to customers for contract work	**–**	(34,572)
Cash used in operations	**(47,650)**	(110,829)
Hong Kong Profits Tax paid, net	**(4,224)**	(2,091)
NET CASH USED IN OPERATING ACTIVITIES	**(51,874)**	(112,920)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2019

	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(5,541)**	(8,274)
Purchases of financial assets at fair value through other comprehensive income	**(42,351)**	–
Proceeds from disposal of property, plant and equipment	**622**	3,461
Placement of pledged bank deposits	**(32,400)**	(127,622)
Withdrawal of pledged bank deposits	**–**	174,310
Advance to associates	**–**	(5,000)
Interest received	**268**	261
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(79,402)**	37,136
FINANCING ACTIVITIES		
New bank loans raised	**453,410**	194,544
Repayment of bank borrowings	**(348,063)**	(247,311)
Repayment to a director	**–**	(50,000)
Repayment to an ex-director (included in other payable)	**(25,000)**	(20,000)
Interest paid	**(3,888)**	(2,707)
Distribution paid to non-controlling interests	**(3,300)**	(3,930)
Expenses on issue of shares	**–**	(725)
Proceeds from issue of shares	**–**	182,000
NET CASH FROM FINANCING ACTIVITIES	**73,159**	51,871
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(58,117)**	(23,913)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**170,455**	194,368
Effect of foreign exchange rate change	**404**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**112,742**	170,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

1. GENERAL INFORMATION

Kwan On Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 6 December 2012 as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business is Unit 2801, 118 Connaught Road West, Hong Kong.

The Company is an investment holding company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong. The Group also engaged in building works in the Southeast Asia.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company, the functional currencies of the principal subsidiaries are US dollars ("**US**") and all values are rounded to the nearest thousands, except when otherwise indicated.

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

In the current year, the Group has adopted the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and Interpretations ("**Int(s)**") issued by the HKICPA.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 3 below.

The impact of transition to HKFRS 15 was insignificant on the retained earnings at 1 April 2018.

The amount of adjustment on relevant financial statement line items of the consolidated statement of financial position at 1 April 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

	Notes	Carrying amount previously reported at 31 March 2018	Adoption of HKFRS 15 – Reclassification	Carrying amount as restated before adoption of HKFRS 9 at 1 April 2018
		HK$'000	HK$'000	HK$'000
Current assets				
Amounts due from customers for contract work	a	65,329	(65,329)	–
Trade and other receivables	b	249,377	(29,550)	219,827
Contract assets	a, b	–	94,879	94,879
Current liabilities				
Amounts due to customers for contract work	c	25,751	(25,751)	–
Contract liabilities	c	–	25,751	25,751

Notes:

(a) In relation to construction contracts previously accounted for under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Unbilled revenue of approximately HK$65,329,000 arising from the construction contracts were reclassified from amounts due from customers for contract work to contract assets as at 1 April 2018.

(b) At the date of initial application, retention receivables of approximately HK$29,550,000, arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over the period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets as at 1 April 2018.

(c) The amounts due to customers for contract work of approximately HK$25,751,000 were reclassified to contract liabilities as at 1 April 2018. Contract liabilities under HKFRS 15 represented the Group's obligations to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers.

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

Estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018

The following table summarises the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 March 2019 and the consolidated statement of cash flows for the year ended 31 March 2019 by comparing the amounts reported under HKAS 11, HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included.

	As reported	**Impact of adopting HKFRS 15**	**Amount without adoption of HKFRS 15**
	HK$'000	HK$'000	HK$'000
Current assets			
Amounts due from customers for contract work	–	100,047	100,047
Trade and other receivables	252,323	28,977	281,300
Contract assets	129,024	(129,024)	–
Current liabilities			
Amounts due to customers for contract work	–	11,537	11,537
Contract liabilities	11,537	(11,537)	–

Impact on the consolidated statement of cash flows for the year ended 31 March 2019:

	As reported	**Impact of adopting HKFRS 15**	**Amount without adoption of HKFRS 15**
	HK$'000	HK$'000	HK$'000
Increase in amounts due from customers for contract work	–	(34,718)	(34,718)
Decreases in trade and other receivables	(35,911)	573	(35,338)
Increase in contract assets	(34,145)	34,145	–
Increase in contract liabilities	(14,214)	14,214	–
Increase in amounts due to customers for contract work	–	(14,214)	(14,214)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

Estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018 (Continued)

The estimated impact on the amount reported in the current year in respect of the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are results of reclassifications explained in notes (a) to (c) above for describing the adjustments made to the consolidated statement of financial position at 1 April 2018 upon adoption of HKFRS 15.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets on initial application are recognised in retained earnings and other components of equity as at 1 April 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 3 below.

Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement.

Impairment under expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

An additional impairment recognised under ECL model increased the impairment allowances by HK$1,462,000 at 1 April 2018. As a result, the adjustment to the opening retained earnings at 1 April 2018 amounted to HK$1,462,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

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

Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under HKAS 39 to the carrying amounts under HKFRS 9 on 1 April 2018

	Carrying amount at 31 March 2018	Adoption of HKFRS 9 – Remeasurement	Carrying amount as restated before adoption of HKFRS 15 at 1 April 2018
	HK$'000	HK$'000	HK$'000
Financial assets			
– Trade and other receivables and retention money receivables	240,494	(1,462)	239,032

The following table summarises the impact of transition to HKFRS 9 on retained earnings:

	Retained earnings
	HK$'000
Closing balance as 31 March 2018	80,426
Remeasurement:	
Loss allowance under ECL model	(1,462)
Total change as a result of adoption of HKFRS 9 on 1 April 2018	78,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

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

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

3 Effective date not yet been determined.

4 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the consolidated results and the consolidated financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

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

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

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

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

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

HKFRS 16 Leases (Continued)

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$2,361,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated. Lease liabilities will measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right of-use assets and lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 28 Long-term Interests in Associates and Joint Venture

The amendments clarify that an entity applies HKFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to HKAS 28 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted. The amendments should be applied retrospectively.

The directors of the Company anticipate that the application of Amendments to HKAS 28 will not have material impact in the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2015-2017 Cycle

The Annual Improvements to HKFRSs 2015-2017 Cycle include a number of amendments to various HKFRSs, which are summarised below.

Amendments to HKFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to HKFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to HKAS 12 clarify that the income tax consequences of dividends as defined in HKFRS 9 (i.e. distribution of profits) should be recognised when a liability to pay a dividend is recognised. The income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated distributable profits were originally recognised.

Amendments to HKAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments apply to annual periods on or after 1 January 2019 with earlier application permitted.

The directors of the Company anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2015-2017 Cycle will not have material impact in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable before 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts and sales related taxes.

The Group's policy for recognition of service income from provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading from construction contracts is set out in the accounting policy headed "Construction contracts" below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract in relation to provision of construction and maintenance works on civil engineering contracts can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by reference to the percentage of surveys of work performed for individual contract up to the reporting date or based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Under HKFRS 15 (applicable on or after 1 April 2018)

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Under HKFRS 15 (applicable on or after 1 April 2018) (Continued)

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. 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.

The Group recognised revenue from provision of construction and maintenance works on civil engineering contracts.:

Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on an asset 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 over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with an onerous contract. An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Under HKFRS 15 (applicable on or after 1 April 2018) (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Contract costs

The Group incurs costs (including labour costs, utility expenses, materials and consumables and others) to fulfill a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognised an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Under HKFRS 15 (applicable on or after 1 April 2018) (Continued)

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business.

The Group's policy for recognition of revenue from foundation and site formation works is described in the accounting policy headed "Construction contracts" below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Variable consideration

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Under HKFRS 15 (applicable on or after 1 April 2018) (Continued)

Existence of significant financing component

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

For contracts where the period between payment and transfer of the services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance lease) held for use in the production or supply of services or administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Offsetting financial instruments

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group, as a joint operator, recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a sale or contribution of assets, the Group is considered to be conducting the transaction with the other parties to the joint operation and the Group recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a purchase of assets, the Group recognises its share of the gains and losses until it resells those assets to a third party.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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 associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) 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.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018)

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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

– the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investment in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

– Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

– Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Loss arising from changes in fair value of financial assets at fair value through profit or loss" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling it in the near term; or

– on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

– it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables, loan and interest receivables, finance lease receivables and cash and cash equivalents) that are measured at amortised cost and also on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (for stage 2 and stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (for stage 1). Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

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

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 as at the reporting date with the risk of a default occurring on the financial instrument as 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.

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;

– 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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 debtor; 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets (Continued)

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 borrower;

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

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

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL 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.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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.

Derecognition of financial assets

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 party. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Derecognition of financial assets (Continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method using the effective interest method.

Effective interest method

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

Derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Classification and subsequent measurement under HKAS 39 (applicable on or before 1 April 2018)

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Classification and subsequent measurement under HKAS 39 (applicable on or before 1 April 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, amount due from associates and amounts due from other partners of joint operations) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Classification and subsequent measurement under HKAS 39 (applicable on or before 1 April 2018) (Continued)

Financial assets (Continued)

Impairment loss on financial assets

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 21 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Classification and subsequent measurement under HKAS 39 (applicable on or before 1 April 2018) (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

Financial liabilities and equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Classification and subsequent measurement under HKAS 39 (applicable on or before 1 April 2018) (Continued)

Derecognition

A financial asset is derecognised 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Fair value measurement

When measuring fair value, except for the Group's share-based payment transactions, leasing transactions, value in use of property, plant and equipment and intangible asset for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Consolidation of Kwan On - U-Tech Joint Venture 1 ("Kwan On - U-Tech 1")

The Group formed a legal joint venture, Kwan On - U-Tech 1, with an independent third party namely U-Tech Engineering Co. Ltd. ("U-Tech"), for the purpose of execution of a contract. The Group can appoint the majority of the board of directors of Kwan On - U-Tech 1 and thus direct its relevant activities. The Group shares 70% of the profits or losses of Kwan On - U-Tech 1. The directors of the Company have therefore determined the Group has control over Kwan On - U-Tech 1 and the Group's financial statements have consolidated the results of Kwan On - U-Tech 1.

Joint operations

The Group formed nine unincorporated joint ventures, Kwan On - U-Tech Joint Venture 2 ("Kwan On - U-Tech 2"), Kwan On - U-Tech Joint Venture 3 ("Kwan On - U-Tech 3"), Kwan On - U-Tech Joint Venture 4 ("Kwan On - U-Tech 4"), Kwan On - China Geo Joint Venture ("Kwan On - China Geo"), Kwan On - China Geo Joint Venture 2 ("Kwan On - China Geo 2"), Kwan On - China Geo Joint Venture 1 ("KO-CG Joint Venture 1") and Kwan On - China Geo Joint Venture 2 ("KO-CG Joint Venture 2") with two independent third parties namely U-Tech and China Geo-Engineering Corporation ("China Geo") respectively, KO - Richwell - SCG Joint Venture with two independent third parties namely Richwell Machinery Engineering Limited ("Richwell") and Shanghai Construction Group Co Limited ("SCG") respectively and Kwan On – Vernaltex Joint Venture (Kwan On – Vernaltex") with Vernaltex Company Limited for the purpose of execution of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the entity's accounting policies (Continued)

Joint operations (Continued)

The Group and U-Tech jointly control over the relevant activities of Kwan On - U-Tech 2, Kwan On - U-Tech 3 and Kwan On - U-Tech 4. Under the joint venture agreements, the Group has participation share of 50%, 65% and 51% respectively to the surplus, loss, assets, liabilities, rights and obligations arising out of or in connection with the contract in Kwan On - U-Tech 2, Kwan On - U-Tech 3 and Kwan On - U-Tech 4. As decisions about the relevant activities require unanimous consent of both the Group and U-Tech, the directors of the Company have determined that the joint arrangement is a joint operation.

The Group and China Geo jointly control over the relevant activities of Kwan On - China Geo, Kwan On - China Geo 2, KO-CG Joint Venture 1 and KO-CG Joint Venture 2. Under the joint venture agreements, the Group has participation share of 51% to the surplus, loss, assets, liabilities, rights and obligations arising out of or in connection with the contract in Kwan On - China Geo, Kwan On - China Geo 2, KO-CG Joint Venture 1 and KO-CG Joint Venture 2. As decisions about the relevant activities require unanimous consent of both the Group and China Geo, the directors of the Company have determined that the joint arrangements are joint operations.

The Group, Richwell and SCG jointly control over the relevant activities of KO - Richwell - SCG Joint Venture. Under the joint venture agreement, the Group, Richwell and SCG have participation share of 34%, 33% and 33% respectively to the surplus, loss, assets, liabilities, right and obligation arising out of or in connection with the contract in KO - Richwell - SCG Joint Venture. As decisions about the relevant activities require unanimous consent of the Group, Richwell and SCG, the directors of the Company have determined that the joint arrangement is a joint operation.

The Group and Vernaltex Company Limited jointly control over the relevant activities of Kwan On – Vernaltex Joint Venture. Under the joint venture agreement, the Group has participation share of 51% to the surplus, loss, assets, liabilities, rights and obligations arising out of or in connection with the contract in Kwan On – Vernaltex Joint Venture. As decisions about the relevant activities require unanimous consent of both the Group and Venture, the directors of the Company have determined that the joint arrangements is a joint operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the entity's accounting policies (Continued)

Classification of leasehold land and buildings

When a lease includes both land and building elements, the directors of the Company assess the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risk and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

As at 31 March 2019, the directors of the Company determine that the lease payments of leasehold land and buildings of approximately HK$31,566,000 (2018: HK$32,224,000) cannot be allocated reliably between the land and buildings elements due to infeasibility of the allocation of purchase price between the leasehold land and buildings. The total amount has been classified as a finance lease under property, plant and equipment.

Key sources of estimation uncertainty

The following are 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.

Construction contracts revenue recognition

The Group recognises contract revenue and margin of a contract in relation to provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading according to the management's estimation of the total outcome of the contract including the assessment of profitability of on-going construction contracts as well as the progress towards complete satisfaction of construction works of individual contract. Stage of completion was determined based on the proportion of contract costs incurred for works performed to date relative to the estimated total contract costs (input method). Estimation of proper margin involves the assessment of the completeness and accuracy of forecast costs to completion. Total contract costs are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the past experience of similar projects. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Income tax

As at 31 March 2019, no deferred tax asset has been recognised on the tax losses of approximately HK$25,796,000 (2018: HK$31,390,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are different from original estimates, such difference will impact the recognition of deferred tax assets and income tax changes in the year in which circumstances are changed.

Loss allowance for trade receivables and other receivables and contract assets

The loss allowance for trade receivables and other receivables are based on assumptions about ECL. The Group use judgement in making these assumptions and selecting the inputs to the loss allowance calculations, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment loss charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2019, the carrying amount of trade receivables, other receivables and contract assets are HK$35,567,000, HK$227,562,000 and HK$129,024,000 respectively, net of accumulated impairment losses of nil, HK$2,557,000 and HK$20,000 respectively. Details of the ECL calculation are disclosed in Notes 18 and 19.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods. The carrying amounts of property, plant and equipment as at 31 March 2019 is approximately HK$41,535,000 (2018: HK$41,486,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

5. SEGMENT INFORMATION

The Group was principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong and Southeast Asia. Information reported to the Group's chief executive officer, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

All of the Group's revenue was derived from Hong Kong and Thailand, based on the location of the customers. Information about the Group's non-current assets other than financial assets at fair value through other comprehensive income is presented based on the geographical location of the assets.

	2019	2018
	HK$'000	HK$'000
Revenue from external customers		
– Hong Kong (city of domicile)	**615,239**	637,250
– Thailand	**116,600**	–
	731,839	637,250

	Non-current Assets	
	2019	2018
	HK$'000	HK$'000
– Hong Kong (city of domicile)	**52,341**	48,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

5. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019 **HK$'000**	2018 HK$'000
– Customer A	**162,474**	141,043
– Customer B	**277,867**	108,456
– Customer C	**106,210**	345,913
– Customer D	**116,600**	–

6. REVENUE, OTHER INCOME AND OTHER GAIN

Revenue

During the year, the Group's revenue represents amount received and receivable from contract works performed.

	2019 **HK$'000**	2018* HK$'000
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 March 2019:		
Revenue by services lines:		
– Provision of construction and maintenance works on civil engineering contracts, recognised over time	**731,839**	637,250

* The amounts for the year ended 31 March 2018 were recognised under HKAS 11 and related interpretation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

6. REVENUE, OTHER INCOME AND OTHER GAIN (CONTINUED)

Other income and other gain

An analysis of the Group's other income and gain recognised during the years are as follows:

	2019	2018
	HK$'000	HK$'000
Other income		
Bank interest income	**268**	261
Other interest Income (Note 18)	**1,970**	–
Consultancy fee income	**–**	310
Sundry income	**1,066**	1,644
	3,304	2,215
Other gain		
Gain on disposal of property, plant and equipment (Note)	**47**	1,219

Note:

Included in the amount for the year ended 31 March 2018 was ex-gratia payment from the government for retirement of motor vehicles of HK$722,000. There were no unfulfilled conditions and other contingencies attached to the receipt of the ex-gratia payment. There was no such payment for the year ended in 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

7. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on bank loans	**3,888**	2,707

8. INCOME TAX EXPENSES

	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong	**4,897**	4,099
Thailand	**1,518**	–
	6,415	4,099
Over provision in prior years:		
Hong Kong	**(34)**	–
Deferred tax (Note 23)		
Current year	**196**	262
Income tax expenses for the year	**6,577**	4,361

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of others Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the ended 31 March 2018, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

The Corporate Income Tax in Thailand is calculated at 20% of assessable profit during year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

8. INCOME TAX EXPENSE (CONTINUED)

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$'000	HK$'000
Profit before tax	**32,681**	34,668
Tax expense at Hong Kong Profits Tax rate of 16.5%	**5,392**	5,720
Over-provision in prior years	**(34)**	–
Tax effect on share of loss of associates	**–**	495
Tax effect of income not taxable for tax purpose	**(69)**	(43)
Tax effect of expenses not deductible for tax purpose	**2,022**	942
Tax effect of tax losses not recognised	**3,133**	2,276
Effect of two-tiered profits tax rates regime	**(165)**	–
Effect of different tax rate in other jurisdiction	**266**	–
Utilisation of tax losses not recognised	**(4,056)**	(5,123)
Tax effect of deductible temporary difference not recognised	**88**	94
Income tax expense for the year	**6,577**	4,361

Details of deferred tax liability are set out in Note 23.

9. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging:

	2019	2018
	HK$'000	HK$'000
Auditor's remuneration	**1,100**	980
Depreciation	**4,917**	4,865
Exchange loss	**1,509**	–
Operating lease rentals in respect of		
– Leasehold land and buildings	**2,502**	5,685
– Plant and equipment	**141**	461
Emoluments of directors and chief executive (Note 10)	**3,776**	4,686
Salaries, wages and other benefits (excluding directors' emoluments)	**88,351**	84,800
Retirement benefits scheme contributions (excluding directors)	**2,709**	3,162
Total staff costs	**94,836**	92,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 8 (2018: 9) directors and the chief executive were as follows:

For the year ended 31 March 2019

	Chief executive	Executive directors				Independent non-executive directors				
	Mr. Tao Ming HK$'000	Mr. Chen Zhenghua HK$'000	Mr. Zhang Fangbing HK$'000	Mr. Cao Lei HK$'000	Mr. Wong Wa HK$'000	Mr. Gong Zhen Zhi[1] HK$'000	Mr. Lam Sing Kwong HK$'000	Mr. Lum Pak Sum Simon HK$'000	Mr. Ho Ho Ming[2] HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings										
Fee	-	-	-	-	-	56	150	150	-	356
Emoluments paid or receivable in respect of director's other services or chief executive's service in connection with the management of the affairs of the Company and its subsidiary undertakings										
Other emoluments										
Salaries	1,500	-	960	360	600	-	-	-	-	3,420
Discretionary bonus	-	-	-	-	-	-	-	-	-	-
Contributions to retirement benefits schemes	-	-	-	-	-	-	-	-	-	-
Total emoluments	1,500	-	960	360	600	56	150	150	-	3,776

1 appointed on 23 April 2018

2 resigned on 23 April 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 March 2018

	Chief executive	Executive directors						Independent non-executive directors			
	Mr. Tao Ming[3]	Mr. Chen Zhenghua[1]	Mr. Zhang Fangbing[1]	Mr. Wong Yee Tung, Tony[2]	Mr. Cao Lei[3]	Mr. Wong Wa	Mr. Kwong Wing Kie[4]	Mr. Ho Ho Ming[5]	Mr. Lam Sing Kwong, Simon	Mr. Lum Pak Sum	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings											
Fee	–	–	–	–	–	–	–	150	150	150	450
Emoluments paid or receivable in respect of director's other services or chief executive's service in connection with the management of the affairs of the Company and its subsidiary undertakings											
Other emoluments											
Salaries	625	1,000	800	967	51	600	190	–	–	–	4,233
Discretionary bonus	–	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–	3	–	–	–	3
	625	1,000	800	967	51	600	193	–	–	–	4,236
Total emoluments	625	1,000	800	967	51	600	193	150	150	150	4,686

1 appointed on 1 June 2017

2 resigned on 10 November 2017

3 appointed on 9 February 2018

4 resigned on 1 June 2017

5 resigned on 23 April 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining three (2018: three) individuals were as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**3,910**	3,904
Retirement benefits schemes contributions	**12**	89
	3,922	3,993

Their emoluments were within the following bands:

	2019	2018
	Number of Individuals	Number of Individuals
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	3

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to any of the directors or chief executive or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

12. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

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

Earnings

	2019	2018
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share	**24,271**	27,075

Number of shares

	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,100,000**	1,020,219

Since there were no potential dilutive shares in issue during the years ended 31 March 2019 and 2018, basic and diluted earnings per share are the same for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2017	32,882	1,103	6,481	20,046	13,226	73,738
Additions	–	–	1,061	1,878	5,335	8,274
Disposals	–	–	–	(3,927)	(2,570)	(6,497)
Written off	–	(1,103)	–	–	–	(1,103)
At 31 March 2018 and 1 April 2018	32,882	–	7,542	17,997	15,991	74,412
Additions	–	1,010	22	1,655	2,854	5,541
Disposals	–	–	(1,677)	(5,703)	(1,310)	(8,690)
At 31 March 2019	32,882	1,010	5,887	13,949	17,535	71,263
DEPRECIATION						
At 1 April 2017	–	966	5,625	16,333	10,495	33,419
Charge for the year	658	137	365	1,540	2,165	4,865
Eliminated on disposals	–	–	–	(2,331)	(1,924)	(4,255)
Written off	–	(1,103)	–	–	–	(1,103)
At 31 March 2018 and 1 April 2018	658	–	5,990	15,542	10,736	32,926
Charge for the year	658	320	435	1,493	2,011	4,917
Eliminated on disposals	–	–	(1,655)	(5,629)	(831)	(8,115)
At 31 March 2019	1,316	320	4,770	11,406	11,916	29,728
CARRYING VALUES						
At 31 March 2019	31,566	690	1,117	2,543	5,619	41,535
At 31 March 2018	32,224	–	1,552	2,455	5,255	41,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	50 years or over the lease terms, whichever is shorter
Leasehold improvements	38% or over the lease terms, whichever is shorter
Furniture and fixtures	20% – 25%
Machinery	15% – 25%
Motor vehicles	25%

At 31 March 2019, the Group's land and building with carrying amount amounting to approximately HK$31,566,000 (2018: HK$32,224,000) were pledged to secure banking facilities granted to the Group (Note 22).

15. INTERESTS IN ASSOCIATES

	2019 **HK$'000**	2018 HK$'000
Costs of investment in associates	**3,000**	3,000
Share of post-acquisition losses and other comprehensive expenses	**(3,000)**	(3,000)
	–	–
Amounts due from associates (Note (a))	**5,000**	5,000
	5,000	5,000
Impairment on amounts due from associates (Note (b))	**(5,000)**	(5,000)
	–	–

Notes:

(a) The amounts due from associates are unsecured, interest-free and repayable on demand.

(b) In addition to the amounts due from associates described in (a), the Group periodically reviews the aggregate exposures to associates to assess whether there is any potential impairment over its interests in associates.

As at 31 March 2018, there is an impairment loss of HK$5,000,000 recognised against the amounts due from associates was made. After making this impairment loss, the total interests in associates, which represented the total cost of investment, amounts due from associates and less the accumulated share of losses and impairment, had been fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

15. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 March 2019, the Group had interests in the following associates:

Name of entity	Form of entity	Country of incorporation	Class of shares held	Proportion of ownership interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				2019	2018	**2019**	2018	
Directly held								
Ever Capital Holdings Limited ("**Ever Capital**")	Incorporated	Hong Kong	Ordinary	**34.50%**	34.50%	**34.50%**	34.50%	Investment holding
Wholly owned subsidiary of Ever Capital								
Ever Capital Corporate Finance Limited	Incorporated	Hong Kong	Ordinary	**34.50%**	34.50%	**34.50%**	34.50%	Provision of securities services

The summarised consolidated financial information of Ever Capital and its subsidiary ("**Ever Capital Group**") is as follows:

	2019	2018
	HK$'000	HK$'000
Non-current assets	**145**	5,641
Current assets	**12,923**	8,056
Current liabilities	**(15,206)**	(13,696)

15. INTERESTS IN ASSOCIATES (CONTINUED)

	2019 HK$'000	2018 HK$'000
Revenue	–	–
Loss for the year	(2,139)	(8,695)
Other comprehensive expense for the year	–	–
Total comprehensive expense for the year	(2,139)	(8,695)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

	2019 HK$'000	2018 HK$'000
Net (liabilities) assets of the associate	(2,138)	1
Proportion of the Group's ownership interest in Ever Capital	34.5%	34.5%
Carrying amount of the Group's interest in Ever Capital Group	–	–

The Group has discontinued recognition of its share of losses of certain associates as its share of losses of the associates equals or exceeds its interests in the associates. The amounts of unrecognised share of losses of the associate, both for the year and cumulatively, are as follows:

	2019 HK$'000	2018 HK$'000
Unrecognised share of losses of associate for the year	(738)	–
Accumulated unrecognised share of losses of associates	(738)	–

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For The Year Ended 31 March 2019

16. INVENTORIES

Inventories mainly comprised construction materials and parts for various construction projects.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income		
Common shares listed on The Philippine Stock Exchange., Inc., at market value	**50,360**	–

On 9 May 2018, Jovial Elm Limited, a wholly-owned subsidiary of the Company, entered into a share sale agreement to acquire 200,000,000 common shares in IRC Properties, Inc., a company listed on The Philippine Stock Exchange Inc. Stock Code: IRC) ("IRC") at a consideration of PHP280,000,000 (equivalent to approximately HK$42,351,000), represented approximately 13.3% equity interest in IRC at the acquisition date.

Details are set out in the Company's announcements dated 10 May 2018 and 24 May 2018.

During the year ended 31 March 2019, IRC had increased its issued common shares to 6,061,578,964. The equity interest of IRC held by the Group was immediately diluted. As at 31 March 2019, the Group held the equity interest of IRC was approximately 3.3%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

18. TRADE AND OTHER RECEIVABLES

	As 31 March 2019 HK$'000	At 1 April 2018 HK$'000	At 31 March 2018 HK$'000
Trade receivables (Note vi)	35,567	51,777	51,777
Retention money receivables (Note i)	–	–	29,570
Less: allowance for impairment of retention money receivables	–	–	(20)
Net retention money receivables	–	–	29,550
Performance deposit (Note ii)	29,582	–	–
Other receivables in relation to a transferred construction project (Note iii)	111,043	–	–
Other receivables	7,756	3,410	3,410
Receivables from subcontractors (Note iv)	62,028	70,846	70,846
Consideration receivables of sale of securities investments (Note v)	–	86,006	86,006
Less: allowance for impairment of other receivables	(2,557)	(2,557)	(1,095)
Net other receivables	207,852	157,705	159,167
Prepayments and deposits	19,710	15,967	15,967
Total trade and other receivables	263,129	225,449	256,461
Less: Prepayments classified under non-current assets	(10,806)	(7,084)	(7,084)
	252,323	218,365	249,377

Notes:

i. Except for an amount of approximately HK$29,570,000 as at 31 March 2018, which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year.

On 1 April 2018, net retention receivables of approximately HK$29,550,000 were reclassified to contract asset after adoption of HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

ii. During the year ended 31 March 2019, the amount represented the performance deposit amounted to PHP198,545,576 (equivalent to approximately HK$29,582,000) paid to the land owner for construction project in Philippines. The balance was interest free, repayable upon the completion of construction project which is expected to be within one year from the end of the reporting period, secured by the pledge of entire equity interests in the land owner and guaranteed by a substantial shareholder of the Company.

iii. During the year ended 31 March 2019, the Group entered into a subcontracting agreement with an independent overseas main contractor for a construction project in Thailand and made performance deposit and advanced payments in aggregate of THB454,588,793 (equivalent to approximately HK$111,043,000) (the "**Deposit**"). Following certain changes in the development progress, the Group, after completing partial works, transferred the subcontracting agreement to an independent third party company registered in Thailand (the "**Successor**"). Pursuant to the tripartite agreement entered between the Group, the main contractor and the Successor, all the Group's obligations and liabilities under the subcontracting agreement were transferred to the Successor on 29 November 2018. As stipulated in the tripartite agreement, the main contractor will return the deposit together with an interest at 5% per annum to the Group on completion of the project, which is expected to be within one year from the end of the reporting period. The Deposit and the interest thereon are guaranteed by a substantial shareholder of the Company, who is also the beneficial owner of the project.

iv. The amount represented the expenses paid on behalf of the subcontractors and is expected to be settled upon completion of the related contracts.

v. During the year ended 31 March 2018, the Group acquired certain equity securities listed in Hong Kong for an aggregate consideration of approximately HK$86,006,000 that were held for trading and classified as financial assets at fair value through profit or loss. The entire equity securities were disposed of during the year ended 31 March 2018 to two independent third parties for an aggregate consideration of approximately HK$86,006,000. The entire receivables were fully settled during the year.

vi. Included in the balance was HK$5,552,000 arising from the construction works as detailed in note iii above. The certified value of works completed by the Group amounted to HK$116,600,000. In accordance with the relevant arrangements entered into with the main contractor, the main contractor had assumed the obligation to pay the costs incurred by the Group on the project of HK$111,048,000 and thus a net receivable of HK$5,552,000 was recorded as at 31 March 2019. Such net receivable was also guaranteed by a substantial shareholder of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in other receivables of the Group is amount due from the non-controlling interest of a subsidiary, U-Tech Engineering Co. Ltd., amounting to HK$1,901,000 as at 31 March 2019 (2018: HK$1,079,000). The balance is unsecured, interest-free and repayable on demand.

The Group allows an average credit period of 21 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date at the end of the reporting period.

	2019	2018
	HK$'000	HK$'000
Within 30 days	**23,216**	48,109
More than 30 days but within 90 days	**2,034**	3,369
More than 90 days but within 180 days	**9,448**	13
More than 180 days but within 365 days	**869**	286
	35,567	51,777

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$3,668,000 for the year ended 31 March 2018 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because they are mainly government departments of which the credit risk is minimal.

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018
	HK$'000
Neither past due nor impaired	48,109
Past due but not impaired:	
Within 30 days	3,369
More than 30 days but within 90 days	13
More than 90 days	286
	51,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group does not hold any collateral over its trade receivables. As at 31 March 2018, retention money receivables of approximately HK$3,769,000 are expected to be collected in more than one year after the reporting period.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and assessment of both the current as well as the forecast direction of conditions at the reporting date.

Based on historical experience, majority of trade receivables were settled within credit term and the Group received continuous settlements from these customers, hence the expected loss rate of current trade receivables is assessed to be immaterial, the weighted average expected loss rate is close to zero and no loss allowance on trade receivables was recognised for the year ended 31 March 2019. In addition, the Group has concluded that the application of the ECL model has no material impact on the Group's loss allowance as at 1 April 2018 as compared to that recognised under HKAS 39.

The weighted average expected loss rate for receivables from subcontractors is 2.36% and the ECL of other receivables is assessed on individual basis. The movements in the allowance for impairment on other receivables and receivables from subcontractors are as follows:

	HK$'000
At 1 April 2017 and 31 March 2018	1,095
Effect on adoption of HKFRS 9	1,462
At 1 April 2018 (restated) and 31 March 2019	2,557

Included in the allowance for impairment of other receivables and receivables from subcontractors are individually impaired other receivables and receivables from subcontractors with an aggregate balance of approximately HK$2,557,000 (2018: HK$1,115,000) which had been long outstanding. The individually impaired other receivables and receivables from subcontractors are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions.

19. CONTRACT ASSETS/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/CONTRACT LIABILITIES

(a) Contract assets

	At 31 March 2019 HK$'000	At 1 April 2018 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts (note a)	**100,047**	65,329
Retention receivables of construction contracts (note b)	**28,997**	29,570
Less: allowance for impairment of retention money receivables	**(20)**	(20)
Net retention money receivables	**28,977**	29,550
Total contract assets	**129,024**	94,879
Unbilled revenue of construction contracts		
More than 30 days but within 90 days	**100,047**	65,329
Retention receivables of construction contracts		
Due within one year	**25,364**	25,781
Due after one year	**3,613**	3,769
	28,977	29,550

Notes:

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

19. CONTRACT ASSETS/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/CONTRACT LIABILITIES (CONTINUED)

(a) Contract assets (Continued)

Notes: (Continued)

(b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

The significant increase in contract assets in 2019 is the result of increase in ongoing construction services at the end of the year.

For contract assets, the Group has applied the simplified approach permitted by HKFRS 9 to measure the allowance for credit losses at lifetime ECL. The contract assets are assessed for ECL by using the provision matrix similar with the approach of trade receivables. After the assessment by the directors of the Company, the allowance for ECL on contract assets are insignificant to the Group as at 1 April 2018 and 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

19. CONTRACT ASSETS/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/CONTRACT LIABILITIES (CONTINUED)

(b) Amounts due from (to) customers for contract work

	2018 HK$'000
Contracts in progress at the end of the reporting period	
Contract costs incurred plus recognised profits less recognised losses	3,323,218
Less: progress billings	(3,283,640)
At the end of the financial year	39,578

	2018 HK$'000
Analysed for reporting purpose as:	
Amounts due from customers for contract work	65,329
Amounts due to customers for contract work	(25,751)
	39,578

As at 31 March 2018, net retentions held by customers for contract work included in trade and other receivables amounted to approximately HK$29,550,000.

(c) Contract liabilities

	At 31 March 2019 HK$'000	At 1 April 2018 HK$'000
Contract liabilities	**11,537**	25,751

As at 1 April 2018. contract liabilities of approximately HK$25,751,000 under HKFRS 15 represented the Group's obligations to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers, such contract liabilities were all recognised as revenue during the year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

20. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$43,745,000 (2018: HK$11,345,000) have been pledged to secure bank overdrafts/short-term bank loans/undrawn facilities (note 22) and are therefore classified as current assets.

The pledged deposits carry fixed interest rate is 0.25% to 1.1% (2018: 0.1%) per annum.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with maturity within three months from initial inception. Bank balances carried interest at market rates ranging from 0.3% to 0.75% (2018: 0.5% to 0.75%) per annum during the year ended 31 March 2019. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
Trade payables	**73,143**	61,237
Retention payables	**39,692**	44,242
Amount due to ex-director (Note)	**–**	25,000
Other payables and accruals	**12,294**	25,112
	125,129	155,591

Note: The balance was unsecured, non-interest bearing and fully settled during the year.

At 31 March 2018, retention payables of approximately HK$346,000 are expected to be settled more than one year. There was no retention payables as at 31 March 2019.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2019	2018
	HK$'000	HK$'000
Within 30 days	**47,356**	43,377
More than 30 days but within 90 days	**5,873**	8,734
More than 90 days	**19,914**	9,126
	73,143	61,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

21. TRADE AND OTHER PAYABLES (CONTINUED)

The credit period on purchases of goods is 30 to 45 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

22. BANK BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Secured	**126,482**	21,135

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	2019 **HK$'000**	2018 HK$'000
Within one year	**116,304**	21,135
More than five years	**10,178**	–
	126,482	21,135

	2019 **HK$'000**	2018 HK$'000
Carrying amount of bank borrowings repayable within one year and contain a repayable on demand clause*	**116,304**	10,475
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**10,178**	10,660
	126,482	21,135

* The amount due is based on scheduled repayment dates set out in the loan agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

22. BANK BORROWINGS (CONTINUED)

During the year ended 31 March 2019, secured bank borrowings bore floating interest rates of 5.25% to 5.38% (2018: 4.25% to 6%) per annum.

As at 31 March 2019, the Group's bank borrowings and other banking facilities are secured by:

(a) bank deposits amounting to approximately HK$43,745,000 (2018: HK$11,345,000) (Note 20);

(b) corporate guarantee executed by Win Vision Holdings Limited ("**Win Vision**"), a wholly-owned subsidiary of the Company and corporate guarantees given by certain entities within the Group; and

(c) leasehold land and building amounting to approximately HK$31,566,000 (2018: HK$32,224,000) (Note 14).

The unutilised banking facilities as at 31 March 2019 amounted to approximately HK$109,181,000 (2018: HK$10,000,000).

23. DEFERRED TAX LIABILITY

The following is the major deferred tax liability recognised and movements thereon during the current and prior years:

	Accelerated depreciation allowances HK$'000
At 1 April 2017	6
Charged to profit or loss	262
At 31 March 2018 and 1 April 2018	268
Charged to profit or loss	196
At 31 March 2019	464

At the end of the reporting period, the Group has unused tax losses of approximately HK$25,796,000 (2018: HK$31,390,000) available for offset against future profits. Deferred tax asset has not been recognised in respect of the losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

23. DEFERRED TAX LIABILITY (CONTINUED)

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$4,182,000 (2018: HK$3,649,000) available for offset against future profits. Deferred tax asset has not been recognised in respect of the deductible temporary differences due to the unpredictability of future profit streams.

24. SHARE CAPITAL

	Number	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2017 and 31 March 2018 and 1 April 2018 and 31 March 2019	2,000,000,000	20,000
Issued and fully paid		
Ordinary shares of HK$0.01 each		
At 1 April 2017	960,000,000	9,600
Share subscription (Note)	140,000,000	1,400
At 31 March 2018, 1 April 2018 and 31 March 2019	1,100,000,000	11,000

Note: On 1 September 2017, the Company and Sino Coronet Group Limited, a substantial shareholder of the Company (the "**Subscriber**") entered into a subscription agreement, pursuant to which the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue, a total of 140,000,000 shares at the price of HK$1.30 per share. The subscription was completed on 26 October 2017. The gross proceeds from the subscription were approximately HK$182,000,000 and were used for the project to be tendered for. Details are set out in the announcement of Company dated 29 September 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

25. JOINT OPERATIONS

Details of investments in joint operations as at 31 March 2019 and 2018 are as follows:

Name	Place and date of operation	Principal activities	Participating shares
KO - U-Tech Joint Venture 2	Unincorporated joint operation operating in Hong Kong, 16 December 2014	Civil engineering construction	50%
KO - U-Tech Joint Venture 3	Unincorporated joint operation operating in Hong Kong, 8 April 2016	Civil engineering construction	65%
KO - China Geo Joint Venture	Unincorporated joint operation operating in Hong Kong, 12 August 2013	Civil engineering construction	51%
KO - China Geo Joint Venture 2	Unincorporated joint operation operating in Hong Kong, 14 July 2016	Civil engineering construction	51%
KO-CG Joint Venture 1	Unincorporated joint operation operating in Hong Kong, 23 December 2016	Civil engineering construction	51%
KO-CG Joint Venture 2	Unincorporated joint operation operating in Hong Kong, 23 December 2016	Civil engineering construction	51%
KO - Richwell - SCG Joint Venture	Unincorporated joint operation operating in Hong Kong, 3 September 2016	Civil engineering construction	34%
Kwan On – Vernaltex Joint Venture	Unincorporated joint operation operating in Hong Kong, 1 December 2017	Civil engineering construction	51%
Kwan On - U-Tech Joint Venture 4	Unincorporated joint operation operating in Hong Kong, 26 December 2017	Civil engineering construction	51%

25. JOINT OPERATIONS (CONTINUED)

Pursuant to the terms of the joint venture agreement, the profit or loss sharing for each year of the joint operation shall be distributed to the joint operators in proportion to their respective participating interests.

Amounts due from other partners of joint operations are unsecured, non-interest bearing, repayable on demand and are denominated in Hong Kong dollars.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategies remain unchanged from prior year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year.

The capital structure of the Group consists of net debt, which includes the bank borrowings as disclosed in Notes 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure using gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as the total of amounts due to customers for contract work, contract liabilities, trade and other payables and bank borrowings and less unpledged bank balances and cash. Capital includes equity attributable to owners of the Company. The Group's policy is to maintain the gearing ratio at not more than 50%, which is determined and reviewed with reference to the funding needs of the Group periodically.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

26. CAPITAL RISK MANAGEMENT (CONTINUED)

	2019 HK$'000	2018 HK$'000
Total debt	**263,148**	202,477
Less: Unpledged bank balances and cash	**(112,742)**	(170,455)
Net debt	**150,406**	32,022
Equity attributable to the owners of the Company	**374,751**	340,379
Net debt and equity	**525,157**	372,401
Gearing ratio	**29%**	9%

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**–**	426,840
Financial assets at amortised cost	**433,358**	–
Financial assets at fair value through other comprehensive income	**50,360**	–
	483,718	426,840
Financial liabilities		
Financial liabilities at amortised cost	**251,611**	176,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, pledged bank deposits, amount due from other partners of joint operations, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

One subsidiary of the Company have foreign currency construction revenue and cost of services, which expose the Group to foreign currency risk. Approximately 16% of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 83% of costs is denominated in the group's entity respective functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2019	2018
	HK$'000	HK$'000
PHP	**79,985**	–
THB	**9,054**	–
MYR	**15**	–

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should be need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in PHP and THB. Management of the Group considers the currency risk of the Group in relation to MYR is insignificant for the year ended 31 March 2019, hence no sensitivity analysis is presented. The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against PHP and THB with all other variables held constant. 5% are the sensitivity rate used when the reporting foreign currency risk internally to key management personnel and represents director's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes foreign currencies denominated monetary assets and liabilities and adjusts their translation based on their carrying amounts at the end of each reporting period. A positive number below indicates an increase in the post-tax profit where HK$ strengthen 5% against PHP, THB. For a 5% weakening of HK$ against the foreign currencies respectively, there would be an equal and opposite impact on the post-tax profit.

	2019	2018
	HK$'000	HK$'000
PHP	**3,339**	–
THB	**4,804**	–

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings at prevailing market rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the related bank's Hong Kong Dollars Prime Rate arising from the Group's HK$ denominated bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances and bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 25 basis point and 50 basis point (2018: 25 basis points and 50 basis points) increase or decrease is used on bank balances and bank borrowings respectively when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates on bank balances had been 25 basis points (2018: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would increase/decrease by approximately HK$235,000 (2018: HK$426,000).

If interest rates on bank borrowings had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$528,000 (2018: HK$106,000).

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and these investments are classified on the consolidated statement of financial position as financial assets at fair value through other comprehensive income. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the management will consider hedging the risk exposure should the need arise.

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

If the share price of the listed investments classified as financial assets at fair value through other comprehensive income had been increased/decreased by 20% and all other variables were held constant, the investment valuation reserve as at 31 March 2019 would increase/decrease by approximately HK$10,072,000 resulting from the changes in fair value of financial assets at fair value through other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk

At 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Under HKAS 39, impairment losses are made when there is objective evidence of impairment loss. Upon the application of HKFRS 9 from 1 April 2018, the Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL, the trade receivables have been grouped based on shared credit risk characteristics and past due status.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit risk of Group's trade and retention receivables is concentrated since 92% of which was derived from three (2018: three) major customers as at 31 March 2019 (2018: 98%)

With respect to credit risk arising from amount due from associates, the Group reviews the recoverable amount of amount due from associates at the end of the reporting period to ensure that adequate impairment loss is made for irrecoverable amount. In this regards, the directors of the Company considers that the Group's credit risk is significantly reduced.

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, amount due to a director and other source of funding and considers the risk is minimal.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, secured bank borrowing with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	On demand or within one year	More than one year but not exceeding two years	More than two years but not exceeding five years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2019					
Trade and other payables	**124,654**	**475**	**–**	**125,129**	**125,129**
Bank borrowings	**127,388**	**–**	**–**	**127,388**	**126,482**
	252,042	**475**	**–**	**252,517**	**251,611**
As at 31 March 2018					
Trade and other payables	155,245	346	–	155,591	155,591
Bank borrowings	21,135	–	–	21,135	21,135
	176,380	346	–	176,726	176,726

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 March 2019, the aggregate undiscounted principal amounts of these bank loans amounted to HK$126,482,000 (2018: HK$21,135,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$127,388,000 (2018: HK$22,001,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurements recognised in the consolidated statement of financial position

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial assets and financial liabilities subject to offsetting

The disclosures set out in the table below include financial assets and financial liabilities that are offset in the Group's consolidated statement of financial position.

As at 31 March 2019, the Group currently has a legally enforceable right to set off certain trade receivable with trade payables are due to be settled on the same date and the Group intends to settle these balances on a net basis (2018: nil).

	As at 31 March 2019		
	Gross amounts of recognised financial assets (liabilities) HK$'000	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000
Financial assets/liabilities subject to offsetting			
Trade receivables	116,600	(111,048)	5,552
Trade payables	(111,048)	111,048	–
	5,552	–	5,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

28. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2019	2018
	HK$'000	HK$'000
Within one year	**1,616**	1,466
In the second to fifth years inclusive	**745**	343
	2,361	1,809

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for terms ranging from one to three years.

29. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The total cost charged to profit or loss of approximately HK$2,709,000 (2018: HK$3,165,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

Name of related parties	Nature of transactions	2019 HK$'000	2018 HK$'000
U-Tech Engineering Co. Ltd (a)	Subcontracting fee (b)	**56**	73
Jiangsu Provincial Construction Group Co., Ltd* 江蘇省建築工程集團有限公司(c)	Financial guarantee	**153,560**	–

* The English name is for identification purpose only.

Notes:

(a) U-Tech Engineering Co. Ltd. is a non-controlling interest of a subsidiary, Kwan On- U Tech, of the Group.

(b) These transactions were carried out at terms determined and agreed by the Group and the respective related party.

(c) Jiangsu Provincial Construction Group Co., Ltd is a substantial shareholder of the Group.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2019 HK$'000	2018 HK$'000
Short term employee benefits	**7,024**	8,769
Post-employment benefits	**18**	92
	7,042	8,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property, plant and equipment	**690**	–
Investments in subsidiaries	**25,978**	25,978
	26,668	25,978
Current assets		
Trade receivables	**6**	–
Other receivables	**3,200**	87,183
Amount due from a subsidiary (Note i)	**264,177**	166,791
Bank balances and cash	**6,712**	14,507
	274,095	268,481
Current liabilities		
Other payables	**–**	105
Bank borrowing	**10,663**	11,135
Amounts due to subsidiaries (Note i)	**86,955**	69,323
	97,618	80,563
Net current assets	**176,477**	187,918
Net assets	**203,145**	213,896
Capital and reserves		
Share capital	**11,000**	11,000
Reserves (Note a)	**192,145**	202,896
Total equity	**203,145**	213,896

Note i: The amounts are unsecured, non-interest bearing and expected to be settled within 1 year from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. Movements in the Company's reserves during the current and prior years are as follows:

	Share premium HK$'000	**Contributed surplus** HK$'000	**Capital reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2017	23,811	22,968	7,453	(25,481)	28,751
Loss for the year	–	–	–	(5,730)	(5,730)
Issue of shares upon subscription	180,600	–	–	–	180,600
Transaction costs attributable to subscription of shares	(725)	–	–	–	(725)
As at 31 March 2018 and 1 April 2018	203,686	22,968	7,453	(31,211)	202,896
Loss for the year	–	–	–	(10,751)	(10,751)
As at 31 March 2019	203,686	22,968	7,453	(41,962)	192,145

Note:

Pursuant to a written confirmation on 23 March 2015, the reimbursement of bearing listing expenses of approximately HK$7,453,000 by two shareholders, Fortune Decade and Twilight Treasure, in their capacity as shareholders was accounted for as capital contribution to the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) General information of subsidiaries

Details of the Company's principal subsidiaries at 31 March 2019 and 2018 are as follows:

Name of subsidiaries	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital held by the Company				Forms of legal entity	Principal activities
			2019 Directly %	2018 Directly %	**2019 Indirectly %**	2018 Indirectly %		
Win Vision	BVI	US$1	**100**	100	**–**	–	Wholly- owned foreign company	Investment holding,
Kwan on Construction Company Limited ("**Kwan On**")	Hong Kong	HK$1	**–**	–	**100**	100	Private limited company	Civil engineering construction
Univic Engineering Limited ("**UEL**")	Hong Kong	HK$100	**–**	–	**100**	100	Private limited company	Provision of contracting work on civil plumbing, fire protection, insulation, concrete repairs and related activities
Univic Engineering & Construction Limited	Hong Kong	HK$1	**–**	–	**100**	100	Private limited company	Provision of civil, plumbing and fire protection engineering contract services
Univic Earthworks Limited	Hong Kong	HK$1	**–**	–	**100**	100	Private limited company	Provision of civil and plumbing engineering contract services
Univic Building Contractors Limited	Hong Kong	HK$1	**–**	–	**100**	100	Private limited company	Provision of construction site workmen services
Univic Construction Resources Limited ("**UCRL**")	Hong Kong	HK$1	**–**	–	**100**	100	Private limited company	Provision of construction site workmen services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(i) General information of subsidiaries (Continued)

Details of the Company's principal subsidiaries at 31 March 2019 and 2018 are as follows:

Name of subsidiaries	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital held by the Company				Forms of legal entity	Principal activities
			2019 Directly %	2018 Directly %	**2019 Indirectly %**	2018 Indirectly %		
Univic Fireproofing & Construction Limited ("**UFCL**")	Hong Kong	HK$1	**–**	–	**100**	100	Private limited company	Trading of diesel and provision of construction site workmen services
Kwan On-U-Tech 1	Hong Kong	Not applicable	**–**		**70**	70	Unincorporated joint venture	Civil engineering construction
Classic Vision Holdings Limited	BVI	US$1	**100**	100	**–**	–	Wholly- owned foreign company	Investment holding
Kingway Dragon Construction Limited	Hong Kong	HK$10,000	**–**	–	**100**	100	Private limited company	Civil engineering construction
Alpha Gold Investments Liimited	Seychelles	US$1	**100**	100	**–**	–	Private limited company	Property holding
Greenland Hua Yuan (HK) Limited	Hong Kong	HK$100	**100**	100	**–**	–	Private limited company	Acts as administrative centre of the Group
Kwan On Transportation Holdings Limited	Hong Kong	HK$100	**100**	100		–	Private limited company	Inactive
Jovial Elm Limited	BVI	US$1	**100**	100	**–**	–	Wholly-owned foreign company	Investment holding
Kwan On Holdings (Philippines) Inc.	Philippines	PHP 11,000,000	**–**	–	**100**	–	Private limited company	Civil engineering construction

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Places of establishment/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
Kwan On-U-Tech 1	Hong Kong	**30%**	30%	**1,833**	3,232	**1,286**	2,753

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

Kwan On - U-Tech 1	**2019**	2018
	HK$'000	HK$'000
Non-current assets	**41**	41
Current assets	**19,908**	22,275
Current liabilities	**(15,662)**	(13,139)
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**3,001**	6,424
Non-controlling interests	**1,286**	2,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Kwan On - U-Tech 1 (Continued)	2019 HK$'000	2018 HK$'000
Revenue	**47,935**	65,711
Expenses	**(41,825)**	(54,936)
Profit for the year	**6,110**	10,775
Profit for the year attributable to owners of the Company	**4,277**	7,543
Profit for the year attributable to the non-controlling interests	**1,833**	3,232
Profit for the year	**6,110**	10,775
Total comprehensive income attributable to owners of the Company	**4,277**	7,543
Total comprehensive income attributable to the non-controlling interests	**1,833**	3,232
Total comprehensive income for the year	**6,110**	10,775
Distribution paid to non-controlling interests	**3,300**	3,930
Net cash inflow from operating activities	**9,795**	12,473
Net cash inflow from investing activities	**–**	–
Net cash outflow from financing activities	**(3,300)**	(3,930)
Net cash inflow	**6,495**	8,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

33. LITIGATIONS

At the end of the reporting period, there were a number of labour claims arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the applications of these claims except as detailed below. In the opinion of the directors of the Company, the possibility of any outflow of resources in settling these claims was remote and/or sufficient insurance policies are maintained to cover the loss, if any, arising from these claims and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

The Group is also a defendant in a legal claim of approximately HK$9,516,000 initiated by a subcontractor of one of the Group's subcontractors, which is another defendant, for breach of certain oral agreement made by the Group. The action has been put in abeyance since September 2009. In the opinion of the directors of the Company, the Group has a valid defence against the claim and accordingly no provision has been made for such claim arising from the litigation.

34. SHARE OPTION SCHEME

Shareholders of the Company have approved and adopted a share option scheme (the "**Scheme**") on 16 March 2015.

A summary of the Scheme is set out as below:

The Scheme became effective for a period of 10 years commencing on 16 March 2015. Under the Scheme, the directors of the Company shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date. The offer of a grant of options may be accepted within 21 days from the date of the offer grant.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of the approval of the Scheme. No options have been granted since the adoption of the share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

			Non-cash change		
	1 April 2018	**Financing cash flows**	**Finance cost incurred**	**Reclassification**	**31 March 2019**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Liabilities					
Bank borrowings (Note 22)	**21,135**	**101,459**	**3,888**	**–**	**126,482**
Amount due to an ex-director (included in other payable (Note 21))	**25,000**	**(25,000)**	**–**	**–**	**–**
	46,135	**76,459**	**3,888**	**–**	**126,482**

			Non-cash change		
	1 April 2017	Financing cash flows	Finance cost incurred	Reclassification	31 March 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities					
Bank borrowings (Note 22)	73,902	(55,474)	2,707	–	21,135
Amount due to an ex-director (included in other payable (Note 21))	–	(20,000)	–	45,000	25,000
Amount due to a director	95,000	(50,000)	–	(45,000)	–
	168,902	(125,474)	2,707	–	46,135

36. EVENT AFTER THE REPORTING PERIOD

On 3 June 2019, the Group entered into a subscription agreement with Splendid Horizon Limited (the "**Subscriber**"), an independent third party pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 22,000,000 ordinary shares of the Company at the subscription price of HK$0.485 per share. Details of the subscription, are set out in the Company's announcements on 3 June 2019 and 4 June 2019.

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	693,150	719,770	780,404	637,250	**731,839**
Profit before income tax expense	23,444	31,785	36,701	34,668	**32,681**
Income tax expense	(2,364)	(4,006)	(3,165)	(4,361)	**(6,577)**
Profit for the year	21,080	27,779	33,536	30,307	**26,104**
Profit attributable to:					
Owners of the Company	17,410	27,003	33,344	27,075	**24,271**
Non-controlling interests	3,670	776	192	3,232	**1,833**
	21,080	27,779	33,536	30,307	**26,104**

ASSETS AND LIABILITIES

	As at 31 March				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	313,792	349,973	502,562	547,959	**640,537**
Less: Total liabilities	236,427	246,629	367,082	204,827	**267,850**
Total equity	77,365	103,344	135,480	343,132	**372,687**
Less: Non-controlling interests	5,683	4,659	3,451	2,753	**1,286**
Equity attributable to owners of the Company	71,682	98,685	132,029	340,379	**371,401**