aeso

AESO HOLDING LIMITED
艾碩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8341)

ANNUAL REPORT 2020

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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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

CONTENTS

CORPORATION INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Siu Chung *(Chairman)*
Mr. Cheung Hiu Tung
Mr. Zhang Hai Wei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chun Yue, David
Ms. Lai Wing Sze
Ms. Yu Wan Ki

COMPANY SECRETARY

Ms. Choi Mei Bik

COMPLIANCE OFFICER

Mr. Chan Siu Chung

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Yeung Chun Yue, David *(Chairman)*
Ms. Lai Wing Sze
Ms. Yu Wan Ki

REMUNERATION COMMITTEE

Ms. Lai Wing Sze *(Chairman)*
Mr. Chan Siu Chung
Mr. Yeung Chun Yue, David

NOMINATION COMMITTEE

Mr. Chan Siu Chung *(Chairman)*
Mr. Yeung Chun Yue, David
Ms. Lai Wing Sze

AUDITORS

HLB HODGSON IMPEY CHENG LIMITED
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Chan Siu Chung
Ms. Choi Mei Bik

REGISTERED OFFICE

89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18/F., The Pemberton,
22-26 Bonham Strand
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
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
DBS Bank (Hong Kong) Limited

COMPANY WEBSITE

www.aeso.hk

STOCK CODE

8341

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Aeso Holding Limited (the "Company"), I hereby present the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020 (the "Reporting Period").

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Period (2019:Nil).

BUSINESS REVIEW

The Company is an investment holding company and the shares of the Company (the "Shares") were listed on GEM of the Stock Exchange on 13 January 2017 by way of placing (the "Placing"). The Company's subsidiaries are principally engaged in the provision of fitting out work for construction of newly built commercial premises and residential developments and renovation (including alteration and addition) work for existing commercial premises in Hong Kong.

As a contracting service provider which offers high quality and value-added services to cater for our clients' specification and satisfaction, the Group received continuing support from our customers over the years. We have also built up reputation which attract many new customers. Amongst the total revenue of approximately HK$199.9 million for the Reporting Period, approximately HK$113.5 million was contributed by new customers for the Reporting Period. As such, the performance of the Group has been growing stronger during the Reporting Period.

During the Reporting Period, the Company submitted tenders amounting to approximately HK$1,901 million (2019: approximately HK$1,140 million) and 21 projects were awarded (2019: 12 projects were awarded) amounting to approximately HK$184.4 million (2019: approximately HK$123.2 million), which include (i) a Renovation Project for a cinema operation at Tsim Sha Tsui with contract sum of approximately HK$69.5 million; (ii) a Renovation project for sales office and showflat for a proposed residential development at Kwun Tong with contract sum of approximately HK$26.2 million; (iii) a Fitting-out Project for the proposed residential development at Ma On Shan with contract sum of approximately HK$34.4 million. The tenders are invited by the stable and long term clients, including listed property developers, based on their trust to our Company and some are from new clients including those sizable developers from PRC and those entertainment industry, such as cinema/museum. From April to June of 2020, the Group submitted tenders amounting to approximately HK$709 million. From April to June of 2019, the Group submitted tenders amounting to approximately HK$408 million. The Directors believe that the increase in value for the tenders submitted will drive up the performance of the Group and contribute profits and success to the Group.

FINANCIAL REVIEW

Revenue

The Group's overall revenue increased from approximately HK$88.9 million for the year ended 31 March 2019 to approximately HK$199.9 million for the Reporting Period, representing an increase of approximately 124.9%. Such increase was mainly due to the recognition of revenue of newly awarded projects during the Reporting Period and reflected our business had been recovering to normal after trade resumption on 31 July 2019.

The revenue for the Fitting out Projects for the Reporting Period was approximately HK$156.9 million, represented an increase of approximately 196.6% from approximately HK$52.9 million for the same period in 2019.

The revenue for the Renovation Projects for the Reporting Period was approximately HK$43.0 million, represented an increase of approximately 19.5% from approximately HK$36.0 million for the same period in 2019.

Cost of Services

The Group's direct cost increased from approximately HK$81.4 million for the year ended 31 March 2019 to approximately HK$185.4 million for the Reporting Period, representing an increase of approximately 127.7%. The increase was in line with the increase in revenue during the year.

Gross Profit

The Group's gross profit increased from approximately HK$7.5 million for the year ended 31 March 2019 to approximately HK$14.5 million for the Reporting Period. Such improvement was in line with the increase in revenue during the year.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$17.8 million and approximately HK$28.1 million for the years ended 31 March 2019 and 2020 respectively, representing an increase of approximately 57.9%. Such increase was primarily due to the increase of professional fee incurred in relation to the trade resumption on 31 July 2019 and share-based payment expenses of approximately HK$4.2 million incurred during the Reporting Period.

Loss attributable to the owners of the Company

As a result of the aforesaid, the loss attributable to the owners of the Company was approximately HK$27.4 million and approximately HK$12.4 million for the years ended 31 March 2020 and 2019 respectively.

PROSPECT AND OUTLOOK

The Group has recorded positive net cash generated from operating activities for the years ended 31 March 2020 and 2019. In view of the increasing opportunities for further business development as reflected in our increase in revenue in the current year, the Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares in order to facilitate the further expansion of our business scale. The Group has received positive feedbacks in the initial enquiries made for possible fund raising.

The competitive strengths of the Company, such as (i) an established track record in the market with stable and long term client relationships with the major clients that include listed property developers; (ii) strong and stable relationships with the major suppliers and subcontractors; (iii) integrated project execution for contracting services; and (iv) a strong and experienced management team with proven track record, continuously contribute to the success of the Group.

The Group will continue focusing on the opportunities in renovation works and fitting out works in Hong Kong, especially renovation projects of entertainment industry such as cinema or museums and leisure facilities such as private club houses. The Boards will keep to tender new fitting out projects including those mainland based property developers which are currently very active in new property development in Hong Kong.

However, the recent protests and the outbreak of coronavirus in Hong Kong are the major uncertainties about the economic growth in coming years which our management will pay more attention. Besides, the productivity of our materials suppliers in mainland China and Europe may be affected by the aforesaid reasons which may in turn affect the progress of our on-going projects, our management was closely communicating with those suppliers to minimise our operating risks.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its business operations, bank borrowings and equity contribution from shareholders. As at 31 March 2020, the Group had net current liabilities of approximately HK$24.6 million (31 March 2019: net current assets of approximately HK$0.8 million), net liabilities of approximately HK$21.1 million (31 March 2019: net assets of approximately HK$2.1 million), bank balances and cash of approximately HK$34.8 million (31 March 2019: approximately HK$9.3 million) and pledged bank deposit of approximately HK$1.8 million (31 March 2019: approximately HK$28.8 million). In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the consolidated financial statements, after taking into consideration the positive net cash generated from operating activities for the years ended 31 March 2020 and 2019, and the following measures and arrangements made:

1. **Financial support**
   A substantial shareholder of the Company has agreed to continuously provide financial support for the current operations of the Group so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 March 2020.

2. **Alternate source of funding**
   The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to right issue, open offer and placing of new shares.

3. **Operating plans**
   The Group is taking measures to tighten costs and expenses and seek new profitable contracts for new fitting out and renovation projects.

4. Banking facilities

As at 31 March 2020, the Group has obtained unutilised banking facilities of surety bond totalling HK$6,565,000, which is secured by personally guaranteed of a director, certain asset held by a director, financial assets at fair value through profit or loss and the pledged bank deposits held by the Group.

The gearing ratio of the Group as at 31 March 2020 was not applicable as the Group had net liabilities of approximately of HK$21.1 million (The gearing ratio as at 31 March 2019: approximately 17.7 times). The gearing ratio as at 31 March 2019 was calculated as total borrowings divided by total equity as at the respective period.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

Cash deposits of the Group of approximately HK$1.8 million as at 31 March 2020 (31 March 2019: HK$28.8 million) are charged to the bank to secure general banking facilities.

COMMITMENTS

As at 31 March 2020, the Group had no material commitment.

CAPITAL STRUCTURE

There has been no change in capital structure of the Company since 31 March 2019.

SIGNIFICANT INVESTMENTS

As at 31 March 2020, there was no significant investment held by the Group (31 March 2019: Nil).

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group did not have any acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period.

FOREIGN EXCHANGE EXPOSURE

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. As at 31 March 2020, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 32 employees (31 March 2019: 33 employees). The remuneration policy of the employees of the Group was set up by the Board on the basis of their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and housing allowance to its employees in Hong Kong.

A remuneration committee was set up for, inter alia, reviewing the Group's remuneration policy and structure for all Directors and senior management of the Group.

USE OF PROCEEDS OBTAINED FROM THE PLACING

The net proceeds from the Placing, after deducting listing related expenses, were approximately HK$40.6 million, which was different from the estimated net proceeds of approximately HK$41.6 million. The Group has adjusted the use of net proceeds in the same manner and in the same proportion as shown in the prospectus of the Company dated 30 December 2016 (the "Prospectus"). An analysis of the utilisation of the net proceeds from 13 January 2017 (the "Listing Date") up to 31 March 2020 is set out below:

	Adjusted use of net proceeds in the same manner and in the same proportion as stated in the Prospectus HK$ million	**Adjusted use of net proceeds in the same manner and in the same proportion from the Listing Date up to 31 March 2020** HK$ million	**Actual use of net proceeds from the Listing Date up to 31 March 2020** HK$ million
Further developing the Group's contracting business	22.8	22.8	22.8
Acquisition of premises in Hong Kong	5.7	5.7	0.8
Expansion of the Hong Kong office	1.7	1.7	1.7
Decoration of the Hong Kong office	1.9	1.9	1.9
Purchase of motor vehicles	1.2	1.2	1.2
Further strengthening the Group's in house team	3.2	3.2	3.2
General working capital	4.1	4.1	4.1
Total	40.6	40.6	35.7

APPRECIATION

On behalf of the Board, I wish to take this opportunity to thank our management and staff for their continuous loyalty, dedication and contributions throughout the years. I would also like to express my sincere gratitude to our shareholders, Clients, business partners, banker, suppliers and subcontractors for their continuous support to the Group.

Aeso Holding Limited
Chan Siu Chung
Chairman

Hong Kong, 30 June 2020

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Siu Chung（陳少忠先生）, aged 45, is the founder, the chairman of the Group. Mr. Chan has nearly 24 years of experience in the building and construction industry, especially in the field of fitting out and renovation (including alteration and addition) works. Mr. Chan obtained a bachelor of science degree in construction economics and management from The Hong Kong Polytechnic University in Hong Kong in 1997 and a master of science degree in construction project management from The University of Hong Kong in Hong Kong in 2006. He is primarily responsible for the overall strategic development, management of the Group, managing client relationship and business marketing. He is one of the founders of Aeso Limited, the operating subsidiary of the Company, and is currently its executive director and project director. He is also a director of Aeschylus Limited.

Mr. Chan has been a member of The Hong Kong Institute of Surveyors and a professional member of The Royal Institution of Chartered Surveyors since March 2001. He has been a registered professional surveyor since January 2011.

Mr. Cheung Hiu Tung（張曉東先生）, aged 43, joined the Group in October 2008 and Mr. Cheung was appointed as the executive director of the Group on 1 November 2019. Mr. Cheung has over 20 years of experience in the building and construction industry. Mr. Cheung completed a 75-day Measurement Technician Training Course delivered by Construction Industry Training Authority in Hong Kong in November 1996. He obtained a certificate in quantity surveying and a higher certificate in quantity surveying from Hong Kong Institute of Vocational Education in Hong Kong in July 2000 and July 2002, respectively.

Mr. Zhang Haiwei（張海威先生）, aged 36, joined the Group as the executive director on 24 May 2019. He obtained a Bachelor Degree of Engineering in automation from Guangdong University of Technology. Mr. Yang has over 10 years of experience in business development and management and had held senior management positions in several enterprises. Prior to joining the Group, Mr. Zhang was a chief operating officer of a sizeable company in the PRC and he was mainly responsible for the company's building management and interior design projects involving application of automation technologies.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chun Yue, David (楊振宇先生), aged 38, joined the Group as the independent non-executive director on 12 April 2019. He obtained a bachelor degree of business administration (Honors) in Accountancy from the City University of Hong Kong. Mr. Yeung is a practicing member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years' experience in the accounting, auditing and taxation field. He is currently the director of a sizeable CPA firm and the committee member of the Panyu Committee of Chinese People's Political Consultative Conference.

Mr. Yeung was also an independent non-executive director of Mega Expo Holdings Limited (stock code: 1360), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited from December 2014 to March 2017.

Ms. Lai Wing Sze (黎穎絲女士), aged 31, joined the Group as the independent non-executive director on 24 May 2019. She obtained a bachelor degree of arts from the University of Derby. Ms. Lai has extensive working experience in Hong Kong and overseas. Prior to joining the Company, Ms. Lai had held various managerial and supervisory positions in certain multinational corporations.

Ms. Yu Wan Ki (余韻琪女士), aged 32, joined the Group as the independent non-executive director on 24 May 2019. She obtained a Bachelor Degree of Mass Communication in Journalism and Public Relations from Curtin University of Technology, Western Australia. Ms. Yu has more than 10 years of working experience in different industries including IT Consulting and international export. She is currently a managing director of a company engaging in IT consulting.

SENIOR MANAGEMENT

Mr. Chiu Fu Keung (趙富強先生), aged 51, is the financial controller of the Group and primarily responsible for the Group's finance matters. Mr. Chiu joined the Group in December 2015. Mr. Chiu has more than 30 years of experience in finance and accounting.

Mr. Chiu obtained a master of accounting degree from Curtin University of Technology in September 2003. Mr. Chiu has been a fellow member of The Association of International Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. Cheng Nga Lai (鄭雅麗女士), aged 44, is the Senior Operating Manager of the Group. Ms. Cheng joined our Company in May 2008. She is primarily responsible for formulating and implementing internal and regulatory manuals and assisting our executive Directors and project managers in operation and contract management. Ms. Cheng has over 20 years of experience in the building and construction industry.

Ms. Cheng obtained a bachelor of science degree in construction economics and management from The Hong Kong Polytechnic University in Hong Kong in 1997.

COMPANY SECRETARY

Ms. Choi Mei Bik (蔡美碧女士), aged 38, has been appointed as the company secretary of the Company from 14 May 2019. Ms. Choi graduated from the City University of Hong Kong with a Bachelor of Business Administration (Honours) in Accountancy and is a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Company's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasis a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Company believes that its accountability and transparency will be improved thereby instilling confidence to the shareholders of the Company and the public. Throughout the Reporting Period, the Company has complied with the code provisions in the Corporate Governance Code ("CG Code") set out in Appendix 15 to the GEM Listing Rules except for the following deviations:

Provisions A.2.1, A.2.2 and A.2.3 of the CG Code

Under provision A.2.1 of the CG Code, the role of the Chairman and the Chief Executive Officer should be performed by separate individuals. Mr. Chan Siu Chung is the Chairman who provides leadership for the Board. According to Provisions A.2.2 and A.2.3 of the CG Code, Mr. Chan Siu Chung as the Chairman ensures that all directors are properly briefed on issued arising at board meetings, and receive adequate information, both complete and reliable, in a timely manner. The executive directors of the Company collectively oversees the overall management of the Group in each of their specialized executive fields, which fulfils the function of Chief Executive Officer in substance. Therefore, the Company currently has not appointed its Chief Executive Officer to avoid the duplication of duties.

Provisions A.1.3 and A.7.1 of the CG Code

Provisions A.1.3 and A.7.1 of the CG Code stipulate that 14 day notice should be given for each regular board meeting and that in respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 7 days before the intended date of a board or board committee meeting (or such other period as agreed). The Company agrees that sufficient time should be given to the directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

The Board has continued to monitor and review the Company's progress in respect of corporate governance practices to ensure compliance with the CG Code. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Company to ensure awareness to issues regarding corporate governance practices.

THE BOARD OF DIRECTORS

Composition

The Board, which comprised six Directors as at the date of this corporate governance report, is collectively responsible for supervising the management of the business and affairs of the Company and the Group. Biographical details of the current Directors are set out in the section headed "Biographical details of Directors and Senior Management" of this annual report.

As at the date of this corporate governance report, the Board had three executive Directors, namely Mr. Chan Siu Chung (Chairman), Mr. Cheung Hiu Tung and Mr. Zhang Hai Wei and three independent non executive Directors, namely Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze and Ms. Yu Wan Ki.

The presence of three independent non executive Directors is considered by the Board to be a reasonable balance between executive and non executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of the shareholders and the Company. The independent non executive Directors provide to the Company a wide range of expertise and experience so that independent judgement can be effectively exercised and the interests of all shareholders will be taken into account. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, scrutinizing the Company and the Group's performance and reporting. They provide their valuable skills, expertise and experience to the Board and the committees on which they serve so that the management process can be critically reviewed and controlled.

As at the date of this corporate governance report, at least one of the independent non executive Directors has the appropriate professional qualifications or accounting or related financial management expertise.

Board Diversity

With the view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element. The Board has adopted a board diversity policy with effect from 10 January 2017 in compliance with Provision A.5.6 of the CG Code. All Board appointments have been and will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Nomination and selection of candidates for Board membership by the Nomination Committee have been and will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Nomination Committee is of the opinion that a balanced diversity of the Board has been achieved as at the date of this corporate governance report.

Board Meetings

Board meetings was held 12 during the year. At least 1 day's notices of regular Board meetings are given to all Directors and all Directors will be all given an opportunity to include matters in the agenda for discussion. The company secretary of the Company ("Company Secretary") assists the Chairman in preparing the agenda for the meetings and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. The finalised agenda and accompanying board papers are then sent to all Directors at least 1 days' prior to the meetings.

During the Reporting Period, to the best knowledge of the Group, 12 Board meetings was held and the following is an attendance record of the meetings by each Director:

Attendants	Number of meetings attended	Attendance percentage
Executive Directors		
Chan Siu Chung	12/12	100%
Cheung Hiu Tung (appointed on 1 November 2019)	3/12	25%
Zhang Hai Wei (appointed on 24 May 2019)	9/12	75%
Au Siu Kwong (appointed on 12 April 2019 and deceased on 8 October 2019)	5/12	42%
Zhang Qi (resigned on 3 April 2019)	N/A	N/A
Non executive Director		
Law Wing Kit (resigned on 3 April 2019)	N/A	N/A
Independent non executive Directors		
Yeung Chun Yue, David (appointed on 12 April 2019)	12/12	100%
Lai Wing Sze (appointed on 24 May 2019)	9/12	67%
Yu Wan Ki (appointed on 24 May 2019)	9/12	75%
To Man Choy, Jacky (resigned on 4 April 2019)	N/A	N/A
Ko Kwok Fai, Dennis (resigned on 4 April 2019)	N/A	N/A
Tsang Kwok Shan, Sandy (resigned on 4 April 2019)	N/A	N/A

The Company records the proceedings of each Board meeting in details by keeping minutes, including the record of all decisions of the Board together with concerns raised and dissenting views expressed (if any) during the meeting. Drafts of Board minutes are circulated to all Directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any Director. All Directors have access to relevant and timely information at all times as the Chairman ensures that the management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if it is in their opinion necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is held responsible for providing Directors with board papers and related materials and ensuring that all proper Board procedures and all applicable laws and regulations are followed and complied with. If considered necessary and appropriate by the Directors, they may retain independent professional advisers at the company's expense.

In case where a conflict of interest may arise involving a substantial shareholder of the Company or a Director, such matter will be discussed in a physical meeting and will not be dealt with by way of written resolutions. Independent non executive Directors with no conflict of interest will be present at such meetings dealing with the conflict issue.

The Board committees, including the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, have all adopted the applicable practices and procedures used in Board meetings for all committee meetings.

Shareholders' Meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication between the Company and its shareholders and an opportunity for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxy(ies) to attend and vote at such meetings on their behalf if they are unable to attend the meetings.

The Chairman

The Chairman, Mr. Chan Siu Chung, is responsible for the Company's and the Group's overall strategy and business development. The Chairman determines the broad strategic direction of the Group in consultation with other Directors and is responsible for the macro top level decisions with regard to the overall business directions of the Company and the Group.

The Company Secretary

The Company Secretary is Ms. Choi Mei Bik, a member of the Hong Kong Institute of certified Public Accountants. In accordance with Rule 5.15 of the GEM Listing Rules, the Company Secretary had taken no less than 15 hours of relevant professional training during the Reporting Period.

Training and Support for Directors

All Directors, including the independent non executive Directors, must keep abreast of their collective responsibilities as directors and on the business of the Group. As such, the Group provides a comprehensive and formal induction to each newly appointed Director upon his/her appointment. Briefings and orientations are provided and organised to ensure that new Directors are familiar with the role of the Board, their legal and other duties as directors as well as the business and governance practices of the Company and the Group. Such programme are tailored to each Director taking into account his/her background and expertise. The Company Secretary and the compliance officer of the Company will continuously update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors.

All Directors shall also participate in continuous professional development programme provided or procured by the Group, such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. Records of the trainings received by the Directors are kept and updated by the Company Secretary and the compliance officer of the Company.

Each Director will, upon his/her first appointment and thereafter on a regular basis, disclose to the Company the number and nature of offices held by such Director in public companies and organisations and other significant commitments.

During the Reporting Period, the Directors participated in continuous professional developments in relation to regulatory update, the duties and responsibilities of the Directors and the business of the Group as follows:

Name of Directors	Attendance seminars or briefing/read materials
Executive Directors	
Chan Siu Chung *(Chairman)*	✓
Cheung Hiu Tung (appointed on 1 November 2019)	✓
Zhang Hai Wei (appointed on 24 May 2019)	✓
Au Siu Kwong (appointed on 12 April 2019 and deceased on 8 October 2019)	N/A
Zhang Qi (resigned on 3 April 2019)	N/A
Non executive Director	
Law Wing Kit (resigned on 3 April 2019)	N/A
Independent non executive Directors	
Yeung Chun Yue, David (appointed on 12 April 2019)	✓
Lai Wing Sze (appointed on 24 May 2019)	✓
Yu Wan Ki (appointed on 24 May 2019)	✓
To Man Choy, Jacky (resigned on 4 April 2019)	N/A
Ko Kwok Fai, Dennis (resigned on 4 April 2019)	N/A
Tsang Kwok Shan, Sandy (resigned on 4 April 2019)	N/A

The Company had received from Mr. Chan Siu Chung, Mr. Cheung Hiu Tung, Mr. Zhang Hai Wei, Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze and Ms. Yu Wan Ki the confirmations on taking continuous professional development.

Directors' Securities Transactions

The Company has adopted procedures governing Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Directors during the Reporting Period were Mr. Chan Siu Chung, Mr. Cheung Hiu Tung, Mr. Zhang Hai Wai, Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze, Ms. Yu Wan Ki, Mr. Au Siu Kwong, Ms. Zhang Qi, Mr. Law Wing Kit, Mr. To Man Choy, Jacky, Mr. Ko Kwok Fai, Dennis and Ms. Tsang Kwok Shan, Sandy. The Company has made specific enquiries of which Mr. Chan Siu Chung, Mr. Cheung Hiu Tung, Mr. Zhang Hai Wai, Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze and Ms. Yu Wan Ki have confirmed that they have complied with the required standards of dealings set out in the GEM Listing Rules during the Reporting Period. For the former Directors who were resigned during the Reporting Period, the current Board cannot confirm whether they had complied with required standards of dealings set out in the GEM Listing Rules during the Reporting Period.

Remuneration Committee

The Remuneration Committee was established during the year ended 31 March 2017. The chairman of the committee is Ms. Lai Wing Sze (appointed on 24 May 2019), an independent non-executive Director. Other members of this committee include Mr. Chan Siu Chung, being an executive Director and Mr. Yeung Chun Yue, David (appointed on 12 April 2019), being an independent non-executive Director.

The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policy, making recommendation to the Board on remuneration packages of the Directors and senior management of the Group, as well as reviewing and making recommendation on the Company's share option scheme, bonus structure, provident fund and other compensation related issues. This committee consults with the Chairman on its proposals and recommendations and has access to independent professional advice if necessary. The Remuneration Committee is also provided with other resources enabling it to discharge its duties.

The specific terms of reference of the Remuneration Committee are posted on websites of the Company and of the Stock Exchange. The Remuneration Committee meets at least once a year.

During the Reporting Period, one Remuneration Committee meeting was held with all the members attended.

Nomination Committee

The Nomination Committee was established in 2017. The chairman of the committee is Mr. Chan Siu Chung, the Chairman and an executive Director. Other members of this committee include Mr. Yeung Chun Yue, David (appointed on 12 April 2019) and Ms. Lai Wing Sze (appointed on 24 May 2019), all being independent non-executive Directors.

The duties of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company and the Group's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals to be nominated for directorship, assessing the independence of the independent non executive Directors and making recommendations to the Board on the appointment or re appointment of Directors and succession planning for the Directors, in particular the Chairman.

Shareholders may also propose a person for election as Director at the general meetings of the Company pursuant to the articles of association of the Company ("Articles"). The procedures for shareholders to nominate directors are posted on the website of the Company.

The specific terms of reference of the Nomination Committee are posted on the websites of the Company and of the Stock Exchange.

During the Reporting Period, one Nomination Committee meeting was held with all the members attended.

Term of Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, thereafter continuous until terminated by either party giving to the other not less than three months' notice in writing, or by payment of three months' salary in lieu of such notice.

Each of the independent non-executive Directors has been appointed for a term of three years unless terminated by one month's notice in writing.

All Directors, including the executive and independent non-executive Directors, would retire from office by rotation and are subject to re-election at the annual general meeting once every three years pursuant to the Articles. In accordance with Article 103 of the Articles, Mr. Cheung Hiu Tung will retire from office as Directors at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election. In accordance with Article 109 of the Articles, Mr. Chan Siu Chung and Ms. Lai Wing Sze will retire from office as Directors at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

Audit and Risk Management Committee and Accountability

The Board is responsible for presenting a balanced, clear and comprehensive assessment of the performance and prospects of the Company and the Group. The Board is also responsible for preparing the accounts of the Company, which shall give a true and fair view of the financial position of the Group on a going concern basis, and other inside information announcements and other financial disclosures. The management of the Group provides all relevant information and records to the Board enabling it to conduct the above assessment and to prepare the accounts and other financial disclosures.

During the Year, the Audit and Risk Management Committee reviewed the Group's accounting principles, practices and compliance.

The Audit and Risk Management Committee, established in 2017, is chaired by Mr. Yeung Chun Yue, David (appointed on 12 April 2019), an independent non-executive Director and the other members include Ms. Lai Wing Sze and Ms. Yu Wan Ki (both appointed on 24 May 2019), all being independent non-executive Directors of the Company.

No existing member of the Audit and Risk Management Committee is a former partner of the existing auditing firm of the Company.

The Audit and Risk Management Committee's primary duties include ensuring that the Company's financial statements, annual, interim and quarterly reports and the auditor's report present a true and balanced assessment of the Company's and the Group's financial position; reviewing the Company's and the Group's financial control, internal control and risk management systems; and reviewing the Company's financial and accounting policies and practices. Other duties of the Audit and Risk Management Committee are set out in its specific terms of reference which are posted on the websites of the Company and of the Stock Exchange. The Audit and Risk Management Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit and Risk Management Committee reviewed the Group's accounting principles, practices and compliance and financial report matters including the review of the audited financial statements for the Reporting Period.

During the Reporting Period, four Audit and Risk Management Committee meetings were held with all the members attended.

Directors' responsibility in preparing consolidated financial statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable standards.

The statement of the auditors of the Company in relation to their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on pages 50 to 56 of this annual report.

Without qualifying their opinion, the external auditor has included in the independent auditor's report a paragraph in relation to the Group's ability to continue as a going concern. The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for the foreseeable future and for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Corporate Governance Function

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as determining, developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Auditors' Remuneration

HLB HODGSON IMPEY CHENG LIMITED is the current external auditors of the Company, the aggregate remuneration in respect of audit services during the Reporting Period was approximately HK$400,000 (2019: approximately HK$600,000) and non-audit services during the Reporting Period was approximately HK$6,300 (2019: approximately HK$15,000).

Delegation by the Board

The Board is responsible for making decisions in relation to the overall strategic development of the Group's business. All Directors have formal service contracts or letters of appointment setting out key terms and conditions regarding their appointments. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to management of the Group.

All Board committees, namely the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, have specific terms of reference clearly defining the authorities and responsibilities of the respective committees. All Board committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board review, on a yearly basis, all delegations by the Board to different Board committees to ensure that such delegations are appropriate and continue to be beneficial to the Company and its shareholders as a whole.

Shareholder Relations

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. The commitment to fair disclosure and comprehensive and transparent reporting of the Group's activities can be reflected in many aspects.

The annual general meeting of the Company provides a useful forum for shareholders of the Company to exchange views with the Board. All the Directors make an effort to attend the Company's general meetings so that they may answer any questions from the shareholders.

The proceedings of the annual general meeting are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. The relevant circular, which is circulated to all shareholders at least 21 days prior to the holding of the annual general meeting, sets out the details in relation to each resolution proposed, voting procedures and other relevant information.

The Company also communicates with its shareholders through its annual, interim and quarterly reports and by means of announcement and circular if and when necessary. The Directors, the Company Secretary or other appropriate members of the senior management also respond promptly to inquiries from shareholders and potential investors of the Company.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene general meetings

Subject to the Articles of the Company, the GEM Listing Rules and the applicable laws and regulations, shareholders of the Company may convene general meetings of the Company in accordance with the following procedures:

1. Shareholders holding not less than one tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company as at the date of deposit of the requisition ("Requisitionists") may require the Board to convene a general meeting of the Company by depositing written requisitions at the principal office of the Company in Hong Kong at 18th Floor, The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong specifying the business to be transacted in such meeting and signed by the Requisitionists. Such meeting shall be held within two months after the deposit of such requisition.

2. If within 21 days of such deposit, the Board fails to proceed to convene the meeting, the Requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the Requisitionst(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for sending enquiries to the Board

The Company established a shareholders' communication policy which had been uploaded to the Company's website (http://www.aeso.hk) and details could be found in the policy.

Shareholders may also send their enquiries and concerns to the Board by addressing them to the Company Secretary by post to the principal office of the Company in Hong Kong at 18th Floor, The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong.

Investor relations

The Company is committed to a policy of open and timely disclosure of corporate information to shareholders and potential investors. The Company updates shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars. The Company's website (www.aeso.hk) provides a communication platform to the public and the shareholders.

To strengthen its relationship with investors, the Company regularly meets with analysts and holds interviews with reporters and columnists of the press and other economic journals.

Constitutional documents

During the Reporting Period, there was no significant change in the Memorandum and Articles of the Company.

Dividend Policy

The Company has adopted a dividend policy as at the date of this annual report (the "Dividend Policy"). According to the Dividend Policy, it is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(f) other factors that the Board may considered relevant.

The payment of dividend by the Company is also subject to any restrictions under the Cayman Island laws and the Company's articles of association.

The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earning, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. 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 Group appointed McMillan Woods Corporate Service Limited ("McMillan Woods") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews for the Report Period; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems for the Report Period.

The results of the independent review and assessment were reported to the Audit and Risk Management Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by McMillan Woods to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of McMillan Woods as well as the comments of the Audit and Risk Management Committee, the Board considered that the internal control and risk management systems of the Group are effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 17 of the GEM Listing Rules as well as Part XIVA of the SFO. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures and staff training arrangements, etc.

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2017. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritised and allocated treatments. The risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit and Risk Management Committee which oversees risk management and internal audit functions.

Principal Risks

During the Reporting Period, the following principal risks of the Group were identified and classified into strategic risks, operational risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	Entry barriers are low to new competitors – Competition has intensified in the fitting out and renovation industry in Hong Kong. New participants could enter the industry if they have the appropriate skills, local experience, necessary machinery and capital and/or are granted the requisite licenses by the relevant regulatory bodies. The Group faces competition from other contractors or new comers in the submission of tender for construction contracts who are able to offer services of higher quality at lower prices. Increased competition may lead to lower profit margins and loss of market share, and adversely impact the Group's profitability and operating results.
Operational Risks	Quality of outsourcing services may not meet the Group's requirement. The Group generally engages subcontractors to perform most of the site works and is responsible for the work performed by the subcontractors. If the works performed by the subcontractors do not meet the requirements of the project, the Group's operations and financial position may also be adversely affected. There is a risk of subcontracting workers' safety.
Compliance Risks	As a contracting service provider, in order to perform business operation, the Group have to procure the subcontractors to, comply with a number of construction, safety, building and environmental protection laws, regulations and requirements in Hong Kong. In the event that the subcontractors fail to meet the applicable construction, safety, environmental protection laws, regulations and requirements, the Group or the subcontractors may be subject to fines or required to make remedial measures which may in turn have an adverse effect on the operations and financial condition of the Group.

Our Risk Control Mechanism

The risk management activities of the Group are performed by management on an ongoing process. The effectiveness of the risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's systems of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Aeso Holding Limited ("Aeso", or the "Group") is principally engaged in the provision of fitting-out work for construction of newly built commercial premises and residential developments and renovation (including alteration and addition) work for existing commercial premises in Hong Kong. In the fiscal year, the Group submitted tenders amounting to approximately HK$1,901 million and 21 projects were awarded.

The corporate objectives of the Group are to achieve sustainable growth in its business and financial performance, to actively expand and strengthen its market position in Hong Kong, and to expand its business portfolio.

ABOUT THIS REPORT

As the fourth Environmental, Social and Governance report (the "ESG report") published by the Group, this report continues to disclose the policies, practices, targets and performances of the Group in terms of the environmental, social and governance ("ESG") aspects. The ESG report aims at enabling all stakeholders to understand the progress and sustainability directions of the Group. The ESG report is available in both Chinese and English, and has been published on the website of the Group at aeso.hk and the SEHK's website at www.hkexnews.hk.

Scope and boundary of this report

The ESG report focuses on the Group's business in renovation project and fitting-out project between 1 April 2019 and 31 March 2020 (the "Reporting Period"), and covers the operation of one office located in Hong Kong. While this ESG report does not cover some of Aeso's business, it is on the Group's agenda to extend the scope of the ESG report in the future.

Reporting principles

This ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this ESG report.

To provide stakeholders with an overview of the Group's performance in ESG aspects, the ESG report not only discloses environmental key performance indicators ("KPIs") given the "comply or explain" provisions but also reports additional social KPIs under the "recommended disclosures" as set out in the ESG Reporting Guide. A complete index is inserted in the last section of this ESG report for reference.

Confirmation and approval

The information documented in this report is sourced from official documents, statistical data, management and operation information of and collected by the Group in accordance with relevant internal policies. The Group has established internal controls and a formal review process to ensure that any information presented in this report is as accurate and reliable as possible. The ESG report has been approved by Aeso's Board of Directors (the "Board") in June 2020.

Feedback

Stakeholders' opinions and suggestions will help the Group build a better sustainability strategy. If you have any questions, comments, or suggestions regarding the content or format of the ESG report, please contact the Group via the following channels:

Address: 17/F and 18/F, The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong
Email: info@aeso.hk
T. +852 3971 0848
F. +852 3622 1131

CHAIRMAN'S STATEMENT

I am delighted to present our ESG report, which encapsulates our commitment and achievements in creating long-term value for our stakeholders through operating in a responsible manner. We strive to increasingly incorporate sustainability into our business development and operations.

Aeso is well aware of the importance of the promotion and practice of green operation to the harmony of community and ecological environment. As a business focusing on fitting-out projects and renovation projects, the Group pays attention to the environmental impact its business activities create. Meanwhile, we vigorously promote and implement the concept of green office in every detail.

Aeso believes that our employees are important to the long-term success of our business and strives to provide an inclusive, rewarding, and productive workplace. We provide competitive remuneration, benefits, training and career progression opportunities and reward outstanding performance. Trainings are provided to further raise our employees' awareness of occupational health and safety.

Our sustainability achievements would not have been possible without the continuous support of our stakeholders. We believe that with the support of internal and external stakeholders, Aeso will be able to overcome challenges ahead and capture opportunities brought by issues related to sustainability. In the coming years, we strive to continue advancing our sustainability performance through establishing interim and long-term environmental targets and continuously adopting more initiatives to further nurture our employees.

By order of the Board
Aeso Holding Limited
Chan Siu Chung
Executive Director and Chairman

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Understanding and meeting the needs of our stakeholders is of paramount importance for the Group to move forward on the path towards sustainability. The feedback eventually leads the Group to identify material ESG issues and manage relevant risks and opportunities.

The stakeholders are those who have a considerable influence on our business, and whom our business has a significant impact on. The Group engages our key stakeholders via multiple channels to gather their feedback. Meetings, email, announcements and other communicative events are held across daily operations for internal and external stakeholder groups.

Internal Stakeholder	External Stakeholder
Directors of the Board, members of the senior management, office staff and site staff	Shareholders, customers, suppliers, contractors, creditors and professional consultants

Communication Channels

Announcements, meeting, Email, financial reports and website of the Group

Identifying Material Issues

Stakeholder participation helps the Group review potential risks and business opportunities, and also facilitates the mitigation of these risks as well as the identification of opportunities. Understanding stakeholders' views allows the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions. Having taken the interview results and expert advice into consideration, the Group has been able to prioritise 3 issues from the 11 environmental and social aspects specified in the ESG Reporting Guide to be the material focus of this report. The three material issues are: employment, development and training and product responsibility.

SUSTAINABILITY GOVERNANCE

To reach mid-term and long-term business targets and goals, the Group is committed to maintaining a high standard of corporate governance. We are aware that potential risks and business opportunities may arise from ESG-related issues. The Board has ultimate responsibility for the oversight of the Group's policies, initiatives and performance on ESG and oversees and formulates ESG strategies of the Group.

ESG Risk Management

The Group has established internal controls and risk management systems to manage and review the operational and financial functions. To efficiently manage the risks and capitalise on the business opportunities brought by ESG issues, in the future the Group will conduct a comprehensive review on its day-to-day operations and incorporate ESG material issues in its risk management and assessment as to ensure timely responses and effective policies for ESG issues and risks are in place.

Through the Group's internal controls and risk management system, Aeso have identified the following ESG-related risks.

Risks	Description	Management Responses
Product Responsibility	Due to the business nature of the Group, some of the businesses are outsourced. Therefore, there is a possibility that the quality of the outsourced service may not meet the requirements of the Group.	The sub-contractor should carry out the construction project according to the requirements of the client or designer. If the requirements are not met, the Group has the right to terminate the contract.
Compliance	As a contracting service provider, in order to perform business operation, the Group have to procure the subcontractors to, comply with a number of construction, safety, building and environmental protection laws, regulations and requirements in Hong Kong.	The Group strictly abides by all applicable laws and regulations.
Occupational Health and Safety	Subcontracted workers have higher safety risks due to various factors during their work.	All sub-contractors are under insurance coverage according to the contract provisions. If there are work-related injuries, the sub-contractor must report to the Group within 36 hours.

ENVIRONMENTAL ASPECTS

As a Group engaged in fitting-out and renovation work, Aeso attaches great importance to reducing emissions, waste of resources and the impact on the surrounding environment during the daily operation. The Group strives to standardize the environmental management approaches through adopting Environmental Policy.

Emissions

Air Emissions

In order to reduce the emissions generated during the operation, the Group has adopted the following methods:

- Putting up filtration net around the construction site to reduce the spread of dust;
- Watering dusty materials during the loading and unloading process;
- Fitting in sprinklers to clean the dust on the vehicle at the exit of the construction site.

The major sources of air pollutants are fossil fuel used by mobile vehicles.

Air emissions	Type	2019/20	2018/19	Unit
	Nitrogen Oxides (NO_x)	27.0	15.8	kg
	Sulphur Oxides (SO_x)	0.2	0.1	kg
	Respirable suspended particulates (RSP)	2.4	1.4	kg

The NO_x has reached 27.0 kg in the Reporting Period, an increase of 70.8% compared with last year, mainly due to the increase in fuel consumption of private cars. The increases in other air emission are basically in line with the increase in NO_x emission.

Greenhouse Gas Emissions

The Group commissioned CCA to conduct a carbon assessment to quantify the greenhouse gas ("GHG") emissions (or "carbon emissions") in its operation. The Guidelines[1] compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong was referred to during the quantification of greenhouse gas emissions.

During the Reporting Period, the total GHG emissions were 89.0 tonnes of CO_2 equivalent ("CO_2-e") and the GHG intensity is 0.016 tonnes of CO_2-e per square feet. Comparing with last fiscal year, the total GHG emissions and intensity were increased by 12% and 14%, respectively.

The primary source of GHG emissions is the electricity consumption (Scope 2), 59.0 tonnes of CO_2-e, accounting for approximately 66.3% of the Group's total emissions. The GHG emissions caused by electricity consumption has slightly decreased 2% compared with last fiscal year. Direct emissions from mobile combustion is the second largest emissions source, which contributes to roughly 33.3% of the total emissions. Other indirect emissions due to paper waste disposal, electricity used for water and sewage processing and business travel collectively made up 0.3% of the total GHG emissions. The 93% decrease of Scope 3 emission is because there was no business travel for the fiscal year. The Group will continue to assess and monitor its emissions to confirm the feasibility of establishing a carbon reduction strategy in the future.

Scope	2019/20	2018/19	Unit
Scope 1	29.7	14.7	tonnes of CO_2-e
Scope 2	59.0	60.5	tonnes of CO_2-e
Scope 3	0.3	4.4	tonnes of CO_2-e
Greenhouse gas emissions in total	89.0	79.6	tonnes of CO_2-e
Greenhouse gas intensity (by area)	0.016	0.014	tonnes of CO_2-e/square feet

During the Reporting Period, Scope 1 includes direct emissions from combustions of fuel in mobile sources combustion and fugitive emission from fire suppression system; Scope 2 includes energy indirect emissions from the generation of purchased electricity; Scope 3 includes other indirect emissions from methane gas generation at landfill in Hong Kong due to disposal of paper waste, GHG emissions due to electricity used for fresh water and sewage processing in Hong Kong.

[1] Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

Waste Management

The Group sets up marked trash cans to collect different garbage, like recyclable materials or non-recyclable materials. Non-recyclable materials will be transported to the landfills if necessary. Designated staff will ensure that all waste disposal processes fully complies with Waste Disposal Ordinance.

In the Reporting Period, the Group's operations produced 0.5 tonnes of non-hazardous wastes, which mainly are waste paper and general waste generated by the office operation. Total amount of 459.9 kg waste paper were recycled and other waste was sent to landfill. During the Reporting Period, the Group did not generate significant hazardous wastes from our operations.

Compliance

The Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and greenhouse gas emissions, discharges into water or land, or generation of hazardous and non-hazardous waste during the Reporting Period.

Use of Resources

The Group is committed to controlling the use of resources such as electricity, petrol and water resources in its daily operations. Relevant measures are also listed in the Environmental Policy.

Electricity	To encourage employees to use energy-efficiency products, such as LED lights, energy-saving appliances and/or new energy vehicles. The air-con temperature in office should be maintained at 24°C – 25°C.
Water	To carry out employee engagement activities under the theme of "saving water".
Paper	To use recyclable paper recommended by EPD.

Energy Consumption

During the Reporting Period, the total energy consumption was 196.5 MWh-equivalent, representing a 54% increase compared with last fiscal year, due to the increase in office-based working hours. The energy intensity was 0.035 MWh-equivalent per square foot of floor area as recorded. The primary type of energy consumption was petrol from mobile vehicles use, accounting for approximately 54% of total energy consumption. The second largest type of energy consumption was purchased electricity, accounting for approximately 38% of total energy consumption. Other energy consumption included diesel from mobile vehicles use. Details of energy use are listed below:

Type	Energy	2019/20	2018/19	Unit
Direct Energy	Petrol	106.0	37.9	MWh
	Diesel	15.8	13.1	MWh
Indirect Energy	Electricity	74.7	76.4	MWh
	Total energy consumption	196.5	127.3	MWh
	Energy intensity (by area)	0.035	0.023	MWh/sq ft

Water Consumption

During the Reporting Period, the Group mainly sourced sufficient water from municipal supplies and faced no issue in sourcing water. The total water consumption of the Group was 44 cubic metres while the water intensity was 0.007 cubic metre/square metre of floor area.

The Environment and Natural Resources

In the operation of the Group, there were no actions that have a significant impact on the environment and natural resources. While acknowledging the potential environmental impacts of the construction sector, the Group as a concerned member of this industry will continue to pay attention to its own operating activities.

The Group abides by all related environmental laws and regulations in its daily operations, including Air Pollution Control (Construction Dust) Regulations, Waste Disposal (Chemical Wastes) (General) Regulation and so on. In the Reporting Period, there were no non-compliance cases in relation to the environment reported.

SOCIAL ASPECTS

Creating a Pleasant Work Environment

The Group is committed to providing a harmonious working environment for all employees where each staff's rights can be protected. In addition, the health and safety of employees and their professional development are also the areas that the Group focus on.

Improving the employment system

Human Resources and Payroll Policy has been formulated to standardize the Group's principles on recruitment, promotion, compensation, anti-discrimination, benefits and welfare.

The Group understands each employee should be treated fairly. If anyone who have concerns about any types of discrimination in the workplace, they are strongly encouraged to report the issues to their supervisor or HR department without fear of retaliation.

The Group promotes balanced lifestyle and provides employees with different leave opportunities. All employees are eligible for 7-day paid annual leave in each calendar year and annual leave can increase to a maximum of 17 days according to the employees' length of services. In addition to annual leave, Aeso also provides employees with Family Leave, etc.

The Group abides by the employment laws and regulations, including but not limited to the Employment Ordinance, the Employee Compensation Ordinance and the Sex Discrimination Ordinance. During the Reporting Period, the Group was not involved in any non-compliance cases relating to employment.

Ensuring employee health and safety

The Group pursues a healthy workforce by providing decent working conditions, creating a healthy and safe working environment, and caring for the wellbeing of its employees. Aeso has established The Health and Safety Plan to ensure that the working environment conforms to recognised occupational safety and health standards in places where the group operates.

Safety Meeting

In order to ensure the health and safety of the staff, the Group conducts different types of health and safety meetings on a regular basis, such as the Site Safety Committee Meeting, Weekly Safety Meeting, Weekly Subcontractor Meeting, and Bi-weekly Site Progress Meeting. The purpose of the meetings is to provide chances for the staff to discuss the overall safety performance and seek rooms for improvements.

Health and Safety Training

The Group has held different types of health and safety training regularly, such as the Safety Induction Training, Specific Training and Safety Management Training, to enhance employees' safety awareness and ability to cope with emergent situations. All related training records are kept on site by the Site Agent or Site Supervisor.

Safety Inspection

In order to ensure employee's health and safety during the operation process, Aeso has implemented inspection systems such as the Daily Safety Inspection, Weekly Safety Inspection and Joint Safety Inspection.

Inspection Type	Measures
Daily Safety Inspection	• The Site Agent/Supervisor needs to go inspecting every day to identify the risk factors of the site and ensure that the site conditions meet the expectations of employees and the requirements of laws and regulations. • The Site Agent/Supervisor should guide the workers with correct working methods.
Weekly/Joint Safety Inspection	• The Group invites subcontractors' and client's representative to join the weekly safety inspection. Any safety risk found in the inspection shall be notified to Safety Ambassador and the responsible subcontractors for immediate correction.

In addition, in order to ensure the health and safety of employees during the work, the Group will provide employees with personal protective equipment based on the actual situation. The Site Agent is responsible for checking the status of the personal protective equipment monthly. If any damage is found, it should be replaced immediately.

The Group abides by laws and regulations related to health and safety, including but not limited to the Occupational Safety and Health Ordinance and Building Ordinance. During the Reporting Period, the Group was not involved in any non-compliance cases relating to health and safety.

Providing development and training opportunities

The Group reckons that it is our responsibility to provide training opportunities for employees so that they can develop skills and knowledge for discharging duties at work. This is not only critical to the achievement of the Group's strategic goals, but also conducive for employees' career development.

Human Resources and Payroll Policy stipulates that all employees need to conduct performance evaluation once a year, in order to provide an opportunity for everyone to solve problems in the work process and evaluate the daily performance of each employees. The evaluation form should be prepared by department head and confirmed by individual staff after discussion. All evaluation form must be kept confidentially.

Affirming labour standards

The Group understands that the use of child labour and forced labour are acts that undermine basic human rights.

As stipulated in the Human Resources and Payroll Policy, the Group should check the applicant's ID card during the recruitment process to determine that his/her age meets the relevant laws and regulations. In addition, the Group also respects the employees' right to leave their position in case of advance notice.

The Group abides by the relevant laws and regulations, including but not limited to the Employment Ordinance. During the Reporting Period, the Group was not involved in any non-compliance cases relating to child labour and forced labour.

Operating in a Responsible Manner

As a responsible enterprise, it is the Group's duty to provide high quality services and show its business ethics. Therefore, Aeso has formulated a series of policies on product responsibility, supply chain management and anti-corruption to ensure that the Group's operations meet the requirements of all parties.

Maintain product responsibility

The Group's various sites of operation have passed internal policies such as Quality Management Plan and Intellectual Property Rights – Trade Marks Policy and Procedures to ensure that the product quality, intellectual property and customer's privacy protection complies relevant with laws and regulations.

The purpose of the Group is to provide its customers with satisfactory services under the regulatory and statutory requirement. Therefore, the Group has established an internal management system, and employees of different positions are responsible for different matters.

Position	Duty
Project Director	• To organize management review meetings; • To provide sufficient resources for the project operation.
Project Management	• To review and approve the project inspection and test plan; • To communicate with client and subcontractors if necessary; • To ensure that the client's requirement and government's specification are met.
Site Agent	• To manage subcontractors to ensure that their works are properly performed; • To ensure that company policies are effectively enforced.

Besides, the Group values the protection of intellectual property rights of itself and its customer. Intangible property such as the designs, characters, numerals, colours, etc., shall be strictly managed by the relevant departments and shall not be disclosed to third parties without the permission of the Group. At the same time, the Group also focuses on protecting the clients' intellectual property from being leaked during the cooperation process.

Customer's privacy

AESO values the protection of customer privacy. The Code of Conduct states that customer privacy is confidential to the Group and no internal employees are allowed to disclose it.

During the Reporting Period, the operation of the Group does not involve advertising business, labelling and product recall. There were no cases of non-compliance to anti-corruption laws and regulations, including Building Management Ordinance, the Personal Data (Privacy) Ordinance and the Competition Ordinance of Hong Kong.

Supply Chain Risk Management

The Group understands that the supply chain management has impacts on the quality of the services provided by the Group. In addition to considering the price factor, Aeso pays attention to suppliers' experience, reputation and safety performance. Purchase & Payment Policy has been established to manage relevant issues.

Relevant documents, including Business Registration, Certification and so on, should be submitted to the Quantity Surveyor of the Group for assessment when the Group begins to inspect new suppliers. Eligible new supplier/subcontractors should be added to the Approved List of Supplier/Subcontractor.

To ensure the quality of the services provided, Aeso will evaluate all supplier/subcontractor in November each year to check if their services can meet the Group's standards. The Quantity Surveyor or HR and Admin Manager should assess the performance of supplier/subcontractor in the previous year based on the quality of works and services provided and safety performance etc. Unqualified supplier/subcontractor will be removed from the Approved List of Supplier/Subcontractor.

Anti-Corruption

The Group operates its business with integrity and fairness and does not tolerate any form of corruption, such as bribery, extortion, fraud and money laundering. The Group strictly prohibits employees from offering and requesting gifts to and from third parties, except for the following cases:

- Symbolic souvenir or gift;
- Holiday gifts subject to a maximum limit of 1,000 HKD;
- Discounts and special offers given by third parties, on the condition equally applicable to other general customers. If any employee is found to have taking part of any corruption activities, the Group will immediately terminate his or her contract and report to appropriate authority if necessary.

During the Reporting Period, there were no cases of non-compliance related to anti-corruption laws and regulations, including but not limited to the Prevention of Bribery Ordinance. During the Reporting Period, the Group was not involved in any cases of non-compliance or legal cases in relation to corruption.

Community Investment

The Group has attached great importance to the investment in the community and strives to repay the society through different measures, such as collaboration, capacity-building initiatives, and community services. The Group has formulated the Community Investment, Sponsorship and Donation Policy setting out two areas that the Group focuses on in community investment, being community wellness as well as education and development.

During the Reporting Period, the Group has participated in some community investment activities as detailed below:

Project Name	Amount (HKD)
Donation for community activity（童聲樂韻、愛、傳頌音樂會）	20,000
Sponsorship for HKIS-35th Anniversary Run Runderful Pro	10,000

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Performance

Environmental KPIs	Quantity	Unit
The types of emissions and respective emissions data		
Nitrogen oxides (NO_x)	27.0	kg
Sulphur oxides (SO_x)	0.2	kg
Respirable suspended particulates (RSP)	2.4	kg
Greenhouse gas emissions in total		
Scope 1	29.7	tonnes of CO_2-e
Scope 2	59.0	tonnes of CO_2-e
Scope 3	0.3	tonnes of CO_2-e
Greenhouse gas emissions in total	89.0	tonnes of CO_2-e
Greenhouse gas intensity (by area)	0.016	tonnes of CO_2-e/sq ft.
Total hazardous waste produced		
Total hazardous waste	Not applicable	
Hazardous waste intensity (by area)	Not applicable	
Total non-hazardous waste produced		
Total non-hazardous waste	0.5	tonnes
Non-hazardous waste intensity (by area)	0.09	tonnes/1000’/sq ft

Environmental KPIs	Quantity	Unit
Direct and/or indirect energy consumption by type		
Petrol	106.0	MWh
Diesel	15.8	MWh
Purchased Electricity	74.7	MWh
Total energy consumption	196.5	MWh
Energy intensity (by area)	0.035	MWh/sq ft
Water consumption in total and intensity		
Total water consumption	44.0	cubic meter
Water intensity (by area)	0.007	cubic meter/sq ft
Total packaging material used for finished products		
Total packaging material used	Not applicable	
Packaging material used per unit produced	Not applicable	

Social Performance

	Number of employees	Employee turnover and turnover rate
Gender		
Male	25	5 (20%)
Female	7	1 (13%)
Age		
≤ 30	2	1 (100%)
31-40	15	1 (8%)
41-50	13	2 (14%)
> 50	2	2 (33%)
Level of Employees		
Top management	4	Not applicable
Senior management	2	Not applicable
Management	3	Not applicable
Other employees	23	Not applicable
Total	32	6 (22%)
Number of work-related fatalities		0
Rate of work-related fatalities		0%
Number of work-related injuries		0
Lost days due to work-related injuries		0

Percentage of employees trained and average training hours (%, hours)	Male	Female
Top management	0%, 0	0%, 0
Senior management	100%, 33	0%, 0
Management	0%, 0	0%, 0
Other employees	26%, 33	0%, 0

Suppliers		Number of supplier(s)	Location of supplier
Type of product or service supplied	Office admin	31	Hong Kong
	Project suppliers	310	Hong Kong
	Project sub-contractors	138	Hong Kong

Community Investment	
Amount of contribution (HKD)	30,000

CONTENT INDEX OF ESG GUIDE

General Disclosure and KPIs	Description	Section	Page(s)
	A. Environmental ***Aspect A1: Emissions***		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Aspects	27 – 30
KPI A1.1	The types of emissions and respective emissions data	Emission	27 – 28
KPI A1.2	Greenhouse gas emissions in total and intensity	Emission	28, 34
KPI A1.3	Total hazardous waste produced and intensity	Emission	28, 34
KPI A1.4	Total non-hazardous waste produced and intensity	Emission	28, 34
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emission	27 – 28
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives, and results achieved	Emission	29

General Disclosure and KPIs	Description	Section	Page(s)
	Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	29
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Use of Resources	29, 35
KPI A2.2	Water consumption in total and intensity	Use of Resources	30, 35
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources	29
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources	30
KPI A2.5	Total packaging material used for finished products	N/A	35
	Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources	30
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources	30

General Disclosure and KPIs	Description	Section	Page(s)
	B. Social		
	Employment and Labour Practices		
	Aspect B1: Employment		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare	Creating a Pleasant Work Environment	30
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Key performance indicators	35
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Key performance indicators	35
	Aspect B2: Health and Safety		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Creating a Pleasant Work Environment	30 – 32
KPI B2.1	Number and rate of work-related fatalities	Key performance indicators	35

General Disclosure and KPIs	Description	Section	Page(s)
KPI B2.2	Lost days due to work injury	Key performance indicators	35
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Creating a Pleasant Work Environment	30 – 31
	Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Creating a Pleasant Work Environment	30
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Key performance indicators	36
KPI B3.2	The average training hours completed per employee by gender and employee category	Key performance indicators	36
	Aspect B4: Labour Standards		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Creating a Pleasant Work Environment	30
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Creating a Pleasant Work Environment	30
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Creating a Pleasant Work Environment	30

General Disclosure and KPIs	Description	Section	Page(s)
	Operating Practices		
	Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supply Chain Risk Management	33
KPI B5.1	Number of suppliers by geographical region	Key performance indicators	36
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Risk Management	33
	Aspect B6: Product Responsibility		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Operating in a Responsibility Manner	32
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	The Group currently does not report on this indicator	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with	The Group currently does not report on this indicator	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Operating in a Responsibility Manner	32

General Disclosure and KPIs	Description	Section	Page(s)
KPI B6.4	Description of quality assurance process and recall procedures	Operating in a Responsibility Manner	32
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Operating in a Responsibility Manner	32
	Aspect B7: Anti-corruption		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption	33
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	Anti-corruption	33
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	33
	Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment	34
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment	34
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investment	34, 36

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2020 ("Reporting Period"). All cross-references mentioned in this directors' report form part of this directors' report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are engaging in the premise enhancement solution service in Hong Kong by providing contracting service for (i) the internal fitting-out of newly built commercial premises and residential developments, and (ii) the renovation work as well as alteration and addition work for existing commercial premises.

RESULTS AND DIVIDEND

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

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

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections headed "Chairman's Statement & Management Discussion and Analysis" of this annual report. Description of the principal risks and uncertainties facing the Group and the likely future development of the Group can be found in the "Chairman's Statement & Management Discussion and Analysis" section and the "Corporate Governance Report" of this annual report.

Relationships with Employees, Suppliers and subcontractors and Customers

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate its employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's have established good and long-term relationships with major suppliers and subcontractors. Those suppliers from which we source our raw materials are mostly renowned in the industry. Our subcontractors are reliable industrial players which possess extensive experience in their respective fields. During the year, there was no material and significant dispute between the Group and its suppliers/subcontractors.

The Group has been providing contracting services for newly built and existing commercial premises and residential developments in Hong Kong since our incorporation in 2008. For Fitting-out Projects, our clients mainly include property developers and main-contractors which were instructed by property developers to appoint us as the nominated subcontractor. For Renovation Projects, our clients mainly include property developers, landlords, government authority and renowned international and local retail brands. The Group is of the view that through our quality services and close contact with our clients, we would be able to maintain close relationship with our clients with a better understanding of their needs and preferences which allow the Group to provide tailor-made and value-added contracting services to them, and to continuously gain from the stable source of revenue.

DIRECTORS' REPORT

Environmental Policy and Performance

The Group has taken measures on air pollution control, noise pollution control and waste disposal control in its daily operation. The Directors are not aware of any material non-compliance with the environmental laws and regulations during the Year. Please refer to the "Environmental, Social and Governance Report" of this annual report on page 24 to page 42 for details.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at the end of reporting year were as follows:

	31 March 2020 HK$'000	31 March 2019 HK$'000
Share premium	**40,201**	40,201
Share option reserve	**4,182**	–
Other reserve	**1,000**	1,000
Accumulated losses	**(75,486)**	(54,696)
	(30,103)	(13,495)

DIRECTORS

The Board comprises the following Directors during the Reporting Period and up to the date of this directors' report:

Executive Directors

Mr. Chan Siu Chung *(Chairman)*
Mr. Zhang Hai Wei (appointed on 24 May 2019)
Mr. Cheung Hiu Tung (appointed on 1 November 2019)
Mr. Au Siu Kwong (appointed on 12 April 2019 and deceased on 8 October 2019)
Ms. Zhang Qi (resigned on 3 April 2019)

Non-executive Director

Mr. Law Wing Kit (resigned on 3 April 2019)

Independent non-executive Directors

Mr. Yeung Chun Yue, David (appointed on 12 April 2019)
Ms. Lai Wing Sze (appointed on 24 May 2019)
Ms. Yu Wan Ki (appointed on 24 May 2019)
Mr. To Man Choy, Jacky (resigned on 4 April 2019)
Mr. Ko Kwok Fai, Dennis (resigned on 4 April 2019)
Ms. Tsang Kwok Shan, Sandy (resigned on 4 April 2019)

The Company has received from Mr. Yeung Chun Yue David, Ms. Lai Wing Sze and Ms. Yu Wan Ki an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that they as independent.

Notwithstanding any other provisions in the Articles, at each annual general meeting one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years. All the such service contracts are continuous until terminated by either party giving to the other not less than three months' notice in writing, or by payment of three months' salary in lieu of such notice.

Each of the independent non-executive Directors is appointed for a term of three years unless terminated by one month's notice in writing. All Directors are subject to the provisions of retirement and rotation of directors under the Articles.

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

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any Director or any person under the fulltime employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interest in the business that competed or might compete or was likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 March 2020.

NON-COMPETITION DEED BY CONTROLLING SHAREHOLDERS

A deed of non-competition in respect of Mr. Chan Siu Chung, Acropolis Limited, Mr. Liu Chang Kien and W & Q Investment Limited was entered into on 23 December 2016 (the "Non-competition Deed"). The Company had received annual declaration from Mr. Chan Siu Chung and Acropolis Limited on the compliance with the terms of the Non-competition Deed. The independent non-executive Directors have reviewed the compliance with the Non-competition Deed and are satisfied that Mr. Chan Siu Chung and Acropolis Limited have complied with the terms of the Non-competition Deed for the year ended 31 March 2020, Mr. Liu Cheng Kien and W & Q Investment Limited had disposed all the shares of the Company during the year ended 31 March 2020.

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

As at 31 March 2020, the interests of the Directors of the Company in shares, underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**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 the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name	Capacity	Number of ordinary Shares held	Approximate percentage of the issued share capital of the Company as at 31 March 2020
Chan Siu Chung	Beneficial owner	28,500,000	14.25%
Cheung Hiu Tung – share options	Beneficial owner	2,000,000	1.00%
Zhang Hai Wei – share options	Beneficial owner	2,000,000	1.00%

Mr. Chan held 26,500,000 Shares through Acropolis Limited in which Mr. Chan is the sole Director and shareholder. Also, Mr. Chan held 2,000,000 share options of the Company directly.

Save as disclosed above, none of the Directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporation as at 31 March 2020.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, none of the Directors (including their spouses and children under the age of 18) had any interest in or was granted any right to subscribe for the shares in, or debentures of, the Company or its associated corporations, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS AND OTHERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 March 2020, so far as are known to any Directors of the Company, no person (other than the Directors or chief executive of the Company) had interests in the shares or underlying shares of the Company accounting to a substantial shareholder as recorded in the register required to be kept pursuant to section 336 of the SFO.

TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

No connected transaction (including continuing connected transaction) which would be subject to reporting and annual review requirements under Chapter 20 of the GEM Listing Rules was entered into by the Group during the Reporting Period or subsisted as at the end of the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 87.7% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 35.0% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 54.2% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 27.9% of the Group's total purchases.

SHARE OPTION SCHEME

A share option scheme of the Company (the "Share Option Scheme") was adopted in Company's annual general meeting on 30 September 2019.

Details of the options outstanding for the year ended 31 March 2020 are as follows:

		No. of shares comprised in options					
Grantees	**Date of grant**	**As at 1 April 2019**	**Granted**	**Exercised**	**Lapsed**	**As at 31 March 2020**	**Exercise price per share**
Executive director							
Chan Siu Chung	15 November 2019	–	2,000,000	–	–	2,000,000	HK$0.445
Cheung Hiu Tung	15 November 2019	–	2,000,000	–	–	2,000,000	HK$0.445
Zhang Hai Wei	15 November 2019	–	2,000,000	–	–	2,000,000	HK$0.445
Other employees	15 November 2019	–	14,000,000	–	–	14,000,000	HK$0.445
	Total	–	20,000,000	–	–	20,000,000	

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of Cayman which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is determined by the remuneration committee of the Board ("Remuneration Committee") on the basis of merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to Provision B.1.5 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules, the remuneration of the senior management of the Company for the Reporting Period by band is as follows:

	Number of individuals
Nil to HK$1,000,000	3
HK$1,000,000 to HK$1,500,000	Nil

Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments are set out in note 13 to the consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float throughout the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PERMITTED INDEMNITY PROVISION

During the Reporting Period and up to the date of this annual report, permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was and is being in force for the benefit of the Directors.

INDEPENDENT AUDITORS

The consolidated financial statements for the Reporting Period have been audited by HLB HODGSON IMPEY CHENG LIMITED shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditors of the Company will be proposed at the forthcoming AGM.

EVENTS AFTER THE REPORTING PERIOD

There is no material event occurred in relation to the Group after the Reporting Period.

On behalf of the Board
Chan Siu Chung
Chairman

Hong Kong, 30 June 2020

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucestor Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF AESO HOLDING LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Aeso Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 124, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$27,422,000 during the year ended 31 March 2020 and, as of that date, the Group's net current liabilities and net liabilities are approximately HK$24,592,000 and HK$21,135,000 respectively. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses assessment of account receivables and contract assets	
Refer to notes 3, 4, 17 and 21 to the consolidated financial statements	
As at 31 March 2020, the Group had gross account receivables and contract assets of approximately HK$48,020,000 and HK$21,023,000 respectively, and provision for allowance for expected credit losses of approximately HK$10,075,000 and HK$3,495,000 respectively. In general, the credit terms granted by the Group to the customers ranged between 0 to 30 days on trade customers of contract works. Management performed periodic assessment on the recoverability of the account receivables and contract assets and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the account receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and ongoing trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the allowance for expected credit losses assessment. We focused on this area due to the allowance for expected credit losses assessment of account receivables and contract assets under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to management's assessment of the account receivables and contract assets as at 31 March 2020 included: • Obtained understanding and evaluated the key controls that the Group has implemented to manage and monitor its credit risk, and validated the control effectiveness on a sample basis; • Checked on a sample basis, the ageing profile of the account receivables as at 31 March 2020 to the underlying financial records and post year-end settlements to bank receipts; • Inquired management for the status of each of the material account receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding ongoing business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessed the appropriateness of the expected credit losses provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgment and estimates used to assess the recoverability of the account receivables and contract assets and determine the impairment provision to be supportable by available evidence.

Key audit matter	How our audit addressed the key audit matter

Contract revenue recognition and accounting for construction contract

Refer to notes 3, 4 and 7 to the consolidated financial statements

The Group is involved in construction projects for which it applies the input method to measure the Group's progress towards complete satisfaction of a performance obligation and recognises revenue over time in accordance with HKFRS 15 Revenue for contract with customers.

The revenue and profit recognised in a year on these projects is dependent, amongst others, on the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects).

The uncertainty and subjectivity involved in determining the cost to complete and foreseeable losses may have a significant impact on the revenue and profit of the Group.

Our procedures in relation to revenue recognition from construction projects included:

- obtained an understanding of the projects, evaluated the design and implementation of relevant controls and tested the operating effectiveness of the controls relating to revenue recognition and partially completed projects.
- assessed the Group's revenue recognition practice to determine that they are in compliance with HKFRS 15 Revenue from contracts with customers, including the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects).
- For selected projects, our audit procedures included the following:

    i. agreed projects contract sum to signed contracts and variation orders;

    ii. obtained construction contract from management and reviewed for any specific or special performance obligations and conditions during the financial period;

    iii. assessed the reasonableness of cost incurred against our understanding of the projects;

    iv. vouched the actual cost incurred during the year to details of supplier invoices and subcontractors to check the validity and accuracy of the costs;

    v. performed cut-off testing to verify contract costs were taken up in the appropriate financial year;

Key audit matter	How our audit addressed the key audit matter

Contract revenue recognition and accounting for construction contract

Refer to notes 3, 4 and 7 to the consolidated financial statements

vi. assessed and vouched to the estimated cost to complete by substantiating costs that have been committed to quotations and contracts entered;

vii. performed retrospective review by comparing the total actual contract costs incurred at completion against the total budgeted contract costs to assess the reasonableness of the estimates used by the management;

viii. for projects in progress, we further recomputed the percentage of the progress of the contract based on input method to test the accuracy of the percentage of the progress to determine the revenue;

ix. for projects completed during the year, we obtained the certificate of substantial completion and verified that the remaining revenue has been captured;

x. compared total contract revenue to actual cost incurred plus estimated cost to complete, and assessed for foreseeable losses;

xi. examined the project documentation (including contracts effective during the financial period, terms and conditions) and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns which may result in liquidated damages.

- assessed the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

Based on our audit procedures performed above, we found that the management's judgement in relation to the estimation of revenue from construction contracts to be reasonable.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

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

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

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

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

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

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

The engagement director on the audit resulting in the independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate number: P05029

Hong Kong, 30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	*7*	**199,939**	88,913
Cost of services		**(185,390)**	(81,414)
Gross profit		**14,549**	7,499
Other income	*8*	**60**	50
Change in fair value of financial assets at fair value through profit or loss		**(425)**	–
Net allowance for expected credit losses		**(9,233)**	1,706
Administrative expenses		**(28,085)**	(17,824)
Finance costs	*9*	**(4,288)**	(3,927)
Loss before taxation	*10*	**(27,422)**	(12,496)
Taxation	*13*	**–**	57
Loss and total comprehensive loss for the year		**(27,422)**	(12,439)
Loss per share attributable to equity holders of the Company			
Basic and diluted (HK cents)	*14*	**(13.71)**	(6.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**312**	1,370
Right-of-use assets	*16*	**6,146**	–
		6,458	1,370
Current assets			
Account and other receivables	*17*	**49,240**	15,051
Contract assets	*21*	**17,528**	17,342
Financial assets at fair value through profit or loss	*19*	**9,835**	–
Tax recoverable		**–**	3,432
Pledged bank deposits	*18*	**1,802**	28,798
Bank balances and cash	*18*	**34,782**	9,269
		113,187	73,892
Current liabilities			
Account and other payables	*20*	**63,853**	27,223
Contract liabilities	*21*	**19,985**	8,670
Other borrowings	*22*	**36,982**	36,982
Advances drawn on account receivables factored with recourse	*23*	**7,000**	–
Bank borrowings	*24*	**7,344**	–
Lease liabilities/obligations under finance leases	*25*	**2,615**	181
		137,779	73,056
Net current (liabilities)/assets		**(24,592)**	836
Total assets less current liabilities		**(18,134)**	2,206

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Non-current liabilities			
Lease liabilities/obligations under finance leases	*25*	**3,001**	101
		3,001	101
Net (liabilities)/assets		**(21,135)**	2,105
Capital and reserves			
Share capital	*26*	**15,600**	15,600
Reserves		**(36,735)**	(13,495)
Total equity		**(21,135)**	2,105

The consolidated financial statements were approved and authorised for issued by the board of directors on 30 June 2020 and are signed on its behalf by:

Chan Siu Chung
Executive Director

Cheung Hiu Tung
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share Capital HK$'000	Share Premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	15,600	40,201	–	1,000	(42,257)	14,544
Loss and total comprehensive loss recognised for the year	–	–	–	–	(12,439)	(12,439)
At 31 March 2019	15,600	40,201	–	1,000	(54,696)	2,105
Loss and total comprehensive loss recognised for the year	–	–	–	–	(27,422)	(27,422)
Recognition of equity-settled share-based payments	–	–	4,182	–	–	4,182
At 31 March 2020	**15,600**	**40,201**	**4,182**	**1,000**	**(82,118)**	**(21,135)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(27,422)**	(12,496)
Adjustments for:			
Depreciation of property, plant and equipment	*15*	**333**	1,315
Depreciation of right-of-use assets	*16*	**2,403**	–
Finance costs	*9*	**4,288**	3,927
Interest income	*8*	**(3)**	–
Gain on disposal of property, plant and equipment	*8*	**(29)**	–
Change in fair value at financial assets at fair value through profit or loss		**425**	–
Share-based payment expenses	*10*	**4,182**	–
Net allowance for expected credit losses recognised on account receivables	*10*	**6,793**	(1,541)
Net allowance for expected credit losses recognised on contract assets	*10*	**2,440**	(165)
Operating cash flows before movements in working capital		**(6,590)**	(8,960)
Increase in contract assets		**(2,626)**	(3,766)
(Increase)/decrease in account and other receivables		**(41,553)**	2,612
Increase in contract liabilities		**11,315**	539
Increase in account and other payables		**36,630**	17,931
Cash (used in)/generated from operations		**(2,824)**	8,356
Income tax refund		**3,432**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES		**608**	8,356
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(1,802)**	–
Purchase of property, plant and equipment		**(124)**	(10)
Proceed from disposal of property, plant and equipment		**470**	–
Withdrawal of pledged bank deposits		**28,798**	5,076
Purchase of financial assets at fair value through profit or loss	*19*	**(10,260)**	–
Interest income received		**3**	–
NET CASH GENERATED FROM INVESTING ACTIVITIES		**17,085**	5,066

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Repayment of factoring account receivables	**(19,556)**	–
Repayment of bank borrowings	**(256)**	–
Repayment of obligations under finance leases	**–**	(187)
Interest paid	**(4,165)**	(3,916)
Advances drawn on factoring account receivables	**26,556**	–
Repayment of lease liabilities	**(2,359)**	–
Bank borrowings raised	**7,600**	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**7,820**	(4,103)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**25,513**	9,319
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**9,269**	(50)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**34,782**	9,269

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 December 2015. Its shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan Siu Chung ("Mr. Chan") and Acropolis Limited are the Substantial Shareholders of the Company. The address of the registered office and the principal place of business of the Company are 18/F., The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the premise enhancement solution service in Hong Kong by providing contracting service for (i) the internal fitting-out of newly built commercial premises and residential developments, and (ii) the renovation work as well as alteration and addition work for existing commercial premises.

The consolidated financial statements is presented in Hong Kong Dollar ("HK$"), which is the same as the functional currency of the Company and its subsidiaries and all value are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

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

New and amendments to HKFRS that are mandatorily effective for the current year

In the current year, the Group has applied for the first time, the following new and amendments standards, amendments and interpretations ("new and amendments HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning from 1 April 2019. A summary of the new and amendments HKFRSs applied by the Group is set out as follows:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to 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.

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

New and amendments to HKFRS that are mandatorily effective for the current year (continued)

HKFRS 16 Leases

Transition and summary of effects arising from initial application of HKFRS 16

On 1 April 2019, the Group has applied HKFRS 16. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

During the year ended 31 March 2020, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRS that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

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

iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

v. relied on the assessment of whether lease is onerous by applying HKAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities ranged from 3.25% to 4.27%.

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	1,031
Less: practical expedient-leases with lease term ending within 12 months from date of initial application	(1,031)
Add: Obligations under finance lease recognised as at 31 March 2019	282
Lease liabilities	282
Analysed as:	
Current	181
Non-current	101
	282

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRS that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	–
Add: Amount included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases *(Note)*	408
	408
By class:	
Plant & machinery	408

Note:

In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK$408,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$181,000 and HK$101,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRS that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Property, plant and equipment	1,370	(408)	962
Right-of-use assets	–	408	408
Current liabilities			
Lease liabilities	–	181	181
Obligations under finance leases	181	(181)	–
Non-current liabilities			
Lease liabilities	–	101	101
Obligations under finance leases	101	(101)	–

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
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[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concession[5]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 April 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 April 2020.
5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in HKFRS Standards, will be effective for annual periods beginning on or after 1 April 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation of financial statements (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

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

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

The principal accounting policies are set out below.

Going concern basis

During the year ended 31 March 2020, the Group recorded a consolidated net loss of approximately HK$27,422,000 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$24,592,000 and HK$21,135,000 respectively. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern basis (continued)

The directors adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

1. **Financial support**
   A substantial shareholder of the Company has agreed to continuously provide financial support for the current operations of the Group so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 March 2020.

2. **Alternate source of funding**
   The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to right issue, open offer and placing of new shares.

3. **Operating plans**
   The Group is taking measures to tighten costs and expenses and seek new profitable contracts for new fitting out and renovation projects.

4. **Banking facilities**
   As at 31 March 2020, the Group has obtained unutilised banking facilities of surety bond totalling HK$6,565,000, which is secured by personally guaranteed of Mr. Chan, certain asset held by Mr. Chan, financial assets at fair value through profit or loss and the pledged bank deposits held by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern basis (continued)

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Profit or loss and each item 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.

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction Contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payment. Contract costs include costs that related directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs are recognised when incurred and costs that relate directly to a specific contract comprise site labour costs; costs of subcontracting; costs of materials used in construction and an appropriate portion of variable and fixed construction overheads.

Variation in contract works and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the year.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

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

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

Contract costs

The Group incurs costs to fulfil 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 recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) 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

(c) 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. The asset is subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other Income recognition

Under HKFRS 15, 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 the customer.

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 and enhances an asset that the customer controls as the Group performs; 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.

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 asset and a contract liability relating to a contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (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.

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 Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Variable consideration

For contracts that contain variable consideration (to specify), 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application of HKFRS 16 as at 1 April 2019)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application of HKFRS 16 as at 1 April 2019) (continued)

As a lessee (continued)

Right-of-use assets (continued)

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application of HKFRS 16 as at 1 April 2019) (continued)

As a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Leases (prior adoption of HKFRS 16 as at 1 April 2019)

Leases are classified as finance lease 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 statements of financial position as a finance lease obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (prior adoption of HKFRS 16 as at 1 April 2019) (continued)

The Group as lessee (continued)

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. 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.

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.

All 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.

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 statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off 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.

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

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.

Financial instruments

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

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

Financial assets

Classification and measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Classification and measurement of financial assets (continued)

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 from the next reporting period. If 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 from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured 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. 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 "other income" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including account receivables and contract assets). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 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 period. 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 period as well as the forecast of future conditions.

For all other instruments, 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 has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Significant increase in credit risk (continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk 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.

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

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) 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, for example, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's account receivables and contract assets) are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

Financial liabilities 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 the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income and 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 asset or 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.

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities (including account and other payables, lease liabilities, other borrowings, bank overdraft, advances drawn on account receivables factored with recourse and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Derecognition

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Derecognition (continued)

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

Related parties transactions

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

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) an entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties transactions (continued)

(b) an entity is related to the Group if any of the following conditions applies: (Continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Segment reporting

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

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

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees (continued)

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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. Where 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. Where 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 a 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 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING ESTIMATION AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, management is 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 underlying 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 accounting policies

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

Revenue recognition of construction works

The Group recognises contract revenue and profit of a construction contract according to the Management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts. Estimated contract costs, which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that 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 recognised.

Key sources of estimation uncertainty

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

Provision of ECL for account receivables and contract assets

The Group uses provision matrix to calculate ECL for the account receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, account receivables and contract assets with significant balances and credit impaired are assessed for ECL individually. The provision of ECL is sensitive to changes in estimates.

4. SIGNIFICANT ACCOUNTING ESTIMATION AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

Income taxes and deferred taxation

The Group is subjected to income taxes in Hong Kong. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of right-of-use assets

Right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 March 2020, the carrying amounts of right-of-use assets amounted to HK$6,146,000. No impairment losses were recognised during the year ended 31 March 2020. Details of the right-of-use assets are disclosed in note 16.

Determining the lease term

As explained in note 2, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying assets to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure.

The Group's overall strategy remain unchanged from 2019.

The capital structure of the Group consists of net debts, which include bank borrowings (note 24), advances drawn on account receivables factored with recourse (note 23), other borrowings (note 22), lease liabilities/obligations under finance leases (note 25), net of cash and cash equivalents and equity, comprising paid in capital and reserves.

The gearing ratio at the end of the reporting period was as follows:

	2020	2019
	HK$'000	HK$'000
Total debt *(Note)*	**56,942**	37,264
Less: Pledged bank deposits	**(1,802)**	(28,798)
Bank balances and cash	**(34,782)**	(9,269)
Net debt	**20,358**	(803)
Total equity	**(21,135)**	2,105
Gearing ratio	**N/A**	N/A

Note:

Total debt comprises other borrowings, advances drawn on account receivables factored with recourse, bank borrowings and lease liabilities/obligations under finance leases as detailed in notes 22, 23, 24 and 25 to the consolidated financial statements respectively.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2020	2019
	HK$'000	HK$'000
Financial assets		
Amortised cost (including bank balances and cash)	**85,272**	61,025
Financial assets at fair value through profit or loss	**9,835**	–
	95,107	61,025
Financial liabilities		
Amortised cost	**112,723**	52,534

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies

The Group's major financial instruments include account and other receivables, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, account and other payables, other borrowings, bank borrowings, advance drawn on account receivables factored with recourse and lease liabilities/obligations under finance leases. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk, liquidity risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances, bank borrowings, advance drawn on account receivables factored with recourse, lease liabilities/obligation under finance lease and other borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Hong Kong Interbank Offered Rate arising from advance drawn on account receivables factored with recourse and bank borrowings.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

No sensitivity analysis on interest rate risk on bank deposits is presented as the Directors consider the sensitivity on interest rate risk on bank deposits is insignificant.

For sensitivity analysis on interest rates risk for variable-rate advances drawn on account receivables factored with recourse and bank borrowings, the analysis is prepared assuming that the amount of variable-rate financial liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease represent the management's assessment of the reasonable possible change in interest rates of variable-rate financial liabilities as disclosed above. If interest rates on variable-rate financial liabilities as disclosed above had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2020 would decrease/increase by approximately HK$285,000 (2019: HK$186,000).

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Credit risk

The Group's credit risk is primarily attributable to its account receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies with simplified approach to provide for expected credit losses presented by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all account receivables and contract assets. To measure the expected credit losses, account receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss.

In order to minimise the credit risk, the Directors have 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. In addition, the Directors have reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2020 on account and retention receivables from the Group's five major customers amounting to approximately HK$45,296,000 (2019: HK$13,011,000) and accounted for 92% (2019: 66%) of the Group's total account and retention receivables. The major customers of the Group are reputable organisations. The Directors closely monitor the subsequent settlement of the customers. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Credit risk (continued)

Approximately 95% and 80% of total account receivables outstanding at 31 March 2020 and 2019 were due from top 5 account receivables which exposed the Group to concentration of credit risk.

Account receivables

	Within 30 days	31 – 60 days	61 – 120 days	121 – 365 days	Over 365 days	Total
As at 31 March 2019						
ECL rate	1.97%	8.54%	–	26.82%	95.48%	22.34%
Gross carrying amount (HK$'000)	7,014	3,876	–	1,193	2,611	14,694
Lifetime ECL (HK$'000)	(138)	(331)	–	(320)	(2,493)	(3,282)
	6,876	3,545	–	873	118	11,412

	Within 30 days	**31 – 60 days**	**61 – 120 days**	**121 – 365 days**	**Over 365 days**	**Total**
As at 31 March 2020						
ECL rate	**3.45%**	**4.28%**	**5.11%**	**–**	**73.11%**	**20.98%**
Gross carrying amount (HK$'000)	**9,816**	**20,615**	**5,890**	**–**	**11,699**	**48,020**
Lifetime ECL (HK$'000)	**(339)**	**(882)**	**(301)**	**–**	**(8,553)**	**(10,075)**
	9,477	**19,733**	**5,589**	**–**	**3,146**	**37,945**

As at 31 March 2020, account receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Contract assets

	Within 30 days	31-60 days	61-120 days	121-365 days	Over 365 days	Total
As at 31 March 2019						
ECL rate	0.65%	–	–	–	100%	5.73%
Gross carrying amount (HK$'000)	17,456	–	–	–	941	18,397
Lifetime ECL (HK$'000)	(114)	–	–	–	(941)	(1,055)
	17,342	–	–	–	–	17,342

	Within 30 days	**31-60 days**	**61-120 days**	**121-365 days**	**Over 365 days**	**Total**
As at 31 March 2020						
ECL rate	**2.38%**	**–**	**–**	**–**	**69.45%**	**16.62%**
Gross carrying amount (HK$'000)	**16,558**	**–**	**–**	**–**	**4,465**	**21,023**
Lifetime ECL (HK$'000)	**(394)**	**–**	**–**	**–**	**(3,101)**	**(3,495)**
	16,164	**–**	**–**	**–**	**1,364**	**17,528**

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate.

The following table details the Group's remaining contractual maturity for its financial liabilities. 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, bank loans 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.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

Liquidity table

	Weighted Average Effective Interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2020							
Account and other payables	**–**	**40,374**	**–**	**–**	**–**	**40,374**	**40,374**
Other borrowings	**10.59**	**37,961**	**–**	**–**	**–**	**37,961**	**36,982**
Advance drawn on account receivables factored with recourse	**4.75**	**7,333**	**–**	**–**	**–**	**7,333**	**7,000**
Bank borrowings	**3.04**	**7,567**	**–**	**–**	**–**	**7,567**	**7,344**
Lease liabilities	**6.49**	**–**	**2,708**	**2,607**	**434**	**5,749**	**5,616**
		93,235	**2,708**	**2,607**	**434**	**98,984**	**97,316**
At 31 March 2019							
Account and other payables	–	7,401	–	–	–	7,401	7,401
Other borrowings	10.59	37,961	–	–	–	37,961	36,982
Obligations under finance leases	3.73	–	187	102	–	289	282
		45,362	187	102	–	45,651	44,665

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.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table summaries the maturity analysis of non-derivative financial liabilities with repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The Directors believe that such financial liabilities will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – subject to a repayment on demand clause based on scheduled repayments

	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 March 2020				
Other borrowings	**37,961**	**–**	**–**	**–**
Advance drawn on amount receivables factored with recourse	**7,333**	**–**	**–**	**–**
Bank borrowings	**396**	**396**	**1,191**	**5,584**
Lease liabilities	**2,708**	**2,607**	**434**	**–**
At 31 March 2019				
Other borrowings	37,961	–	–	–
Obligations under finance leases	187	102	–	–

6c. Fair value measurements of financial instruments

Inputs to valuation techniques used to measure the Group's financial assets at fair value through profit or loss had been categorised as level 1 and level 3 within the fair value hierarchy which is defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value measurements of financial instruments (continued)

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	9,835	–	9,835

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

Financial assets	2020	2019	Fair value hierarchy	Valuations technique and key input (s)
Financial assets at fair value through profit or loss	**9,835**	–	Level 2	Quoted redemption value of insurance company

7. REVENUE AND SEGMENT INFORMATION

Revenue

		2020 HK$'000	2019 HK$'000
(i)	**Over-time of revenue recognition**		
	Fitting-out projects	**156,914**	52,911
	Renovation projects	**43,025**	36,002
		199,939	88,913
	Outstanding Contract amount	**84,439**	234,411

7. REVENUE AND SEGMENT INFORMATION (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is HK$84,439,000. This amount represents revenue expected to be recognised in the future from pre-completion construction contracts entered into by the customers with the Group. The Group will recognised the expected revenue in future when or as the work is completed which is expected to occur within the next 12 months.

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

For the year ended 31 March 2020

	Fitting-out Projects HK$'000	Renovation Projects HK$'000	Total HK$'000
Revenue			
Segment revenue	**156,914**	**43,025**	**199,939**
Segment profit	**10,393**	**4,156**	**14,549**
Unallocated income			**60**
Change in fair value of financial assets at fair value through profit or loss			**(425)**
Unallocated expenses			**(41,606)**
Loss before taxation			**(27,422)**

For the year ended 31 March 2019

	Fitting-out Projects HK$'000	Renovation Projects HK$'000	Total HK$'000
Revenue			
Segment revenue	52,911	36,002	88,913
Segment (loss)/profit	(496)	7,995	7,499
Unallocated income			1,756
Unallocated expenses			(21,751)
Loss before taxation			(12,496)

7. REVENUE AND SEGMENT INFORMATION (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss)/profit represents the (loss)/profit from each segment before taxation without allocation of other income, change in fair value of financial assets at fair value through profit or loss, net allowance for expected credit losses, administration expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

Geographical information

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets are all located in Hong Kong.

Information about major customers

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

		2020 **HK$'000**	2019 HK$'000
Customer 1	Fitting-out Projects	**69,954**	–[1]
Customer 2	Renovation Projects	**N/A**	11,444
Customer 3	Fitting-out Projects	**62,998**	N/A
Customer 4	Fitting-out Projects	**–[1]**	41,109
Customer 5	Renovation Projects	**20,080**	N/A

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

8. OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Bank interest income	**3**	–
Sundry income	**–**	50
Interest income	**28**	–
Gain on disposal of property, plant and equipment	**29**	–
	60	50

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
Bank borrowings	**154**	–
Other borrowings	**3,927**	3,916
Interest on lease liabilities/obligations under finance leases	**123**	11
Advances drawn on account receivables factored with recourse	**84**	–
	4,288	3,927

10. LOSS BEFORE TAXATION

	2020 HK$'000	2019 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' emolument *(note 11)*	**4,963**	2,804
Other staff costs:		
Salaries and other allowances	**14,107**	78,382
Retirement benefits scheme contributions	**470**	461
Total staff costs	**19,540**	81,647
Less: amounts included in cost of services	**(9,977)**	(9,195)
	9,563	72,452
Auditors' remuneration	**400**	600
Depreciation of property, plant and equipment *(note 15)*	**333**	1,315
Depreciation of right-of-use assets *(note 16)*	**2,403**	–
Minimum operating lease rentals in respect of rental premises	**–**	2,248
Payments to short-term leases	**1,031**	–
Net allowance for expected credit losses recognised on account receivables	**6,793**	(1,541)
Net allowance for expected credit losses recognised on contract assets	**2,440**	(165)
Share-based payment expenses	**4,182**	–

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable (including emoluments for the services as employees of the group entities prior to becoming directors of the Company) to the directors of the Company during the year for their services rendered to the entities comprising the Group are as follows:

(a) Executive directors

	Fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2020						
Executive directors						
Mr. Chan	**–**	**2,178**	**363**	**18**	**483**	**3,042**
Mr. Cheung *(note i)*	**–**	**341**	**87**	**10**	**483**	**921**
Mr. Au Siu Kwong ("Mr. Au") *(note ii)*	**–**	**59**	**–**	**3**	**–**	**62**
Mr. Zhang Hai Wei ("Mr. Zhang") *(note iii)*	**–**	**133**	**–**	**–**	**483**	**616**
Total	**–**	**2,711**	**450**	**31**	**1,449**	**4,641**
Year ended 31 March 2019						
Executive directors						
Mr. Chan	–	2,178	408	18	–	2,604
Mr. Cheung *(note i)*	–	136	–	4	–	140
Mr. Au Siu Kwong ("Mr. Au") *(note ii)*	–	–	–	–	–	–
Mr. Zhang Hai Wei ("Mr. Zhang") *(note iii)*	–	–	–	–	–	–
Total	–	2,314	408	22	–	2,744

Notes:

(i) Mr. Cheung was removed as an executive director of the Company on 12 April 2018 and appointed on 1 November 2019.

(ii) Mr. Au was appointed as an executive director of the Company on 12 April 2019 and passed away on 8 October 2019.

(iii) Mr. Zhang was appointed as an executive director of the Company on 24 May 2019.

(iv) Discretionary bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

(v) The balances shown above were for their services in connection with the management of the affairs of the Group.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Non-executive directors

	Fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Year ended 31 March 2020						
Non-executive directors						
Mr. Law Wing Kit ("Mr. Law") *(note ii)*	–	–	–	–	–	–
Year ended 31 March 2019						
Non-executive directors						
Mr. Law Wing Kit ("Mr. Law") *(note ii)*	–	–	–	–	–	–
	–	–	–	–	–	–

Notes:

(ii) Mr. Law was resigned on 3 April 2019.

(c) Independent non-executive directors

	Fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Year ended 31 March 2020						
Independent non-executive directors						
Mr. Lee Chi Chung ("Mr. Lee") *(note i)*	–	–	–	–	–	–
Mr. Wang Aisheng ("Mr. Wang") *(note i)*	–	–	–	–	–	–
Mr. Ye wenxin ("Mr. Ye") *(note i)*	–	–	–	–	–	–
Mr. Ko Kwok Fai Dennis ("Mr. Ko") *(note ii)*	–	–	–	–	–	–
Mr. To Man Choy Jacky ("Mr. To") *(note ii)*	–	–	–	–	–	–
Ms. Tsang Kwok Shan Sandy ("Ms. Tsang") *(note ii)*	–	–	–	–	–	–
Mr. Yeung Chun Yue David ("Mr. Yeung") *(note iii)*	116	–	–	–	–	116
Ms. Lai Wing Sze ("Ms. Lai") *(note iv)*	103	–	–	–	–	103
Ms. Yu Wan Ki ("Ms. Yu") *(note iv)*	103	–	–	–	–	103
	322	–	–	–	–	322

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(c) Independent non-executive directors (continued)

	Fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Year ended 31 March 2019						
Independent non-executive directors						
Mr. Lee Chi Chung ("Mr. Lee") *(note i)*	20	–	–	–	–	20
Mr. Wang Aisheng ("Mr. Wang") *(note i)*	20	–	–	–	–	20
Mr. Ye wenxin ("Mr. Ye") *(note i)*	20	–	–	–	–	20
Mr. Ko Kwok Fai Dennis ("Mr. Ko") *(note ii)*	–	–	–	–	–	–
Mr. To Man Choy Jacky ("Mr. To") *(note ii)*	–	–	–	–	–	–
Ms. Tsang Kwok Shan Sandy ("Ms. Tsang") *(note ii)*	–	–	–	–	–	–
Mr. Yeung Chun Yue David ("Mr. Yeung") *(note iii)*	–	–	–	–	–	–
Ms. Lai Wing Sze ("Ms. Lai") *(note iv)*	–	–	–	–	–	–
Ms. Yu Wan Ki ("Ms. Yu") *(note iv)*	–	–	–	–	–	–
	60	–	–	–	–	60

Notes:

(i) Mr. Lee, Mr. Ye and Mr. Wang were removed on 12 April 2018.

(ii) Mr. Ko, Mr.To and Ms. Tsang were appointed as independent non-executive director of the Company from 12 June 2017 and resigned on 4 April 2019.

(iii) Mr. Yeung was appointed as independent non-executive director of the Company from 12 April 2019.

(iv) Ms. Lai and Ms. Yu was appointed as independent non-executive director of the Company from 24 May 2019.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(d) Employees' emoluments

The five highest paid individuals of the Group include two executive directors of the Company for the years ended 31 March 2020 and 2019. The emoluments of the remaining individuals for the year are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other allowances	**2,084**	3,661
Discretionary bonus	**300**	420
Retirement benefit scheme contributions	**64**	64
	2,448	4,145

The emoluments of the employees were within the following band:

	2020 HK$'000	2019 HK$'000
HK$Nil – HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**–**	2
	3	3

During the year, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. The directors of the Company or the chief executive of the Group did not waive or agree to waive any emoluments during the years ended 31 March 2020 and 2019.

12. DIVIDEND

The Board of directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

13. TAXATION

	2020 HK$'000	2019 HK$'000
Deferred tax	–	(57)

No provision for Hong Kong Profit Tax has been made as the Group did not generate any assessable profit arising in Hong Kong for both years.

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$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% for the years ended 31 March 2020 and 2019.

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

	2020 HK$'000	2019 HK$'000
Loss before taxation	(27,422)	(12,496)
Tax charge at Hong Kong Profits Tax Rate of 16.5%	(4,524)	(2,062)
Tax effect of expenses not deductible for tax purpose	2,045	500
Tax effect of income not taxable for tax purpose	(316)	(52)
Unused tax losses carried forward	2,795	1,614
Utilisation of tax losses previously not recognized	–	(57)
Income tax credit for the year	–	(57)

14. LOSS PER SHARE

	2020 HK$'000	2019 HK$'000
Loss:		
Loss for the purpose of calculating basic loss per share	(27,422)	(12,439)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	200,000,000	200,000,000

The basic and diluted loss per share are the same for the year ended 31 March 2020 as the effect of the Group's share option were anti-dilutive.

Diluted loss per share and basic loss per share are the same for the year ended 31 March 2019 as there were no potential ordinary shares in issue during both the years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Other office equipment HK$'000	Total HK$'000
COST						
As at 1 April 2018	2,064	329	2,167	704	334	5,598
Additions	–	–	–	5	5	10
As at 31 March 2019	2,064	329	2,167	709	339	5,608
Adjustment upon application of HKFRS 16	–	–	(711)	–	–	(711)
Adjusted balance as at 1 April 2019	2,064	329	1,456	709	339	4,897
Additions	–	–	–	111	13	124
Disposal	–	–	(750)	(63)	–	(813)
As at 31 March 2020	**2,064**	**329**	**706**	**757**	**352**	**4,208**
ACCUMULATED DEPRECIATION						
As at 1 April 2018	1,133	183	1,029	412	166	2,923
Provided for the year	798	90	292	89	46	1,315
As at 31 March 2019	1,931	273	1,321	501	212	4,238
Adjustment upon application of HKFRS 16	–	–	(303)	–	–	(303)
Adjusted balance as at 1 April 2019	1,931	273	1,018	501	212	3,935
Provided for the year	133	56	13	84	47	333
Disposal	–	–	(325)	(47)	–	(372)
As at 31 March 2020	**2,064**	**329**	**706**	**538**	**259**	**3,896**
CARRYING VALUE						
As at 31 March 2020	**–**	**–**	**–**	**219**	**93**	**312**
As at 31 March 2019	133	56	846	208	127	1,370

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	20% or over the lease term, whichever is shorter
Furniture and fixtures	$33^1/_3$%
Motor vehicles	20%
Computer equipment	20%
Other office equipment	20%

The net carrying amount of motor vehicles held under finance leases as at 31 March 2019 was HK$408,000.

16. RIGHT-OF-USE ASSETS

	Motor vehicle HK$'000	Leased properties HK$'000	Total HK$'000
COST			
At 1 April 2019 (restated)	711	–	711
Additions	–	8,141	8,141
At 31 March 2020	711	8,141	8,852
ACCUMULATED DEPRECIATION			
At 1 April 2019 (restated)	303	–	303
Charge provided for the year	142	2,261	2,403
At 31 March 2020	445	2,261	2,706
CARRYING AMOUNTS			
At 31 March 2020	**266**	**5,880**	**6,146**
At 1 April 2019 (restated)	408	–	408

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

During the current year, the Group leases properties for self-own. Lease contracts are entered into for fixed term of 3 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. ACCOUNT AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Account receivables	**48,020**	14,694
Less: allowance for expected credit losses	**(10,075)**	(3,282)
	37,945	11,412
Other receivables, deposits and prepayments		
– Project deposits paid to sub-contractors	**10,245**	2,696
– Rental and utility deposits	**442**	623
– Prepayment	**552**	254
– Other receivables	**56**	66
	11,295	3,639
Total accounts and other receivables	**49,240**	15,051

The Group allows an average credit period of 30 days to its customers (2019: 30 days). The aged analysis of the Group's account receivables at the end of each reporting period is as follows:

	2020 HK$'000	2019 HK$'000
Account receivables:		
Within 30 days	**9,477**	6,876
31 – 60 days	**19,733**	3,545
61 – 120 days	**5,589**	–
121 – 365 days	**–**	873
Over 365 days	**3,146**	118
	37,945	11,412

17. ACCOUNT AND OTHER RECEIVABLES (continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

In determining the recoverability of account receivables, the Group considers any change in the credit quality of the account receivables from the date credit was initially granted up to the end of the reporting period.

Movement in the allowance for expected credit losses of account receivables

Movement in lifetime ECL that has been recognised for account receivables in accordance with simplified approach set out in HKFRS 9 for the years ended 31 March 2020 and 2019 is as follows:

	Total
	HK$'000
Balance as at 1 April 2018	4,823
Reversal of expected credit losses ("ECL") *(note)*	(1,541)
Balance as at 31 March 2019 and 1 April 2019	3,282
ECL	6,793
Balance as at 31 March 2020	10,075

Note: Reversal of allowance of ECL is due to the Group's recovery of account receivables.

Details of assessment of expected credit losses are set out in note 6.

18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 March 2020, the Group had pledged bank deposits of HK$1,802,000 (2019: HK$nil) which carried interest at 0.10% per annum. These bank deposits were pledged to secure the factoring facilities granted to the Group.

As at 31 March 2019, the Group had pledged a bank deposit of HK$28,798,000 which was interest-free and current in nature. Such bank deposit was pledged to secure the surety bond issued to a customer (see note 33).

Bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carried interest at prevailing market rates based on daily bank deposit rate for the years ended 31 March 2020 and 2019.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Life insurance policies *(note)*	**9,835**	–

Note:

The Group entered into a life insurance policy with an insurance company to insure against the death and permanent disability of a executive director. Under the policy, the beneficiary and policy holder is Aeso Limited, wholly owned subsidiaries of the Company, and the total insured sum is approximately US$5,000,000 (equivalent to HK$38,750,000). The contracts will be terminated on the occurrence of the earliest of the death of the key management personnel insured or other terms pursuant to the contracts. The Company has paid out the total insurance premium with an aggregate amount of approximately US$1,312,076 (equivalent to approximately HK$10,260,000) at the inception of the policies. The Group may request a surrender of the contracts at any time and receive cash back based on the cash value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). A guaranteed interest rate of 4.25% per annum applied to the contracts for the first year, followed by the discretionary portion with a minimum guaranteed interest rate of 3.85% per annum for the following years until termination. The fair value is based on redemption value quoted by the insurance company.

20. ACCOUNT AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Account payables	**27,922**	7,401
Accruals	**15,407**	11,822
Advances from sub-contractors *(note)*	**8,072**	8,000
Retention payables	**12,452**	–
	63,853	27,223

Notes:

Advances from sub-contractors were unsecured, interest-free and would be utilised to set off progress billings.

20. ACCOUNT AND OTHER PAYABLES (continued)

The average credit period on account payables is 30 days. The aging analysis of the account payables based on invoice dates at the end of each reporting period is as follows:

	2020 HK$'000	2019 HK$'000
1 – 30 days	**24,327**	7,401
31 – 60 days	**–**	–
61 – 90 days	**2,419**	–
Over 90 days	**1,176**	–
	27,922	7,401

21. CONTRACT ASSETS/CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract assets:		
Construction services	**5,165**	9,115
Retention receivables	**15,858**	9,282
	21,023	18,397
Allowance for expected credit losses	**(3,495)**	(1,055)
	17,528	17,342
Contract liabilities	**19,985**	8,670

The contract assets primarily relate to the Group's rights to consideration for work completed but 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 at the reporting date. The contract assets are transferred to trade receivables where the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The expected timing of recovery or settlement for contract assets is as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**8,730**	9,438
More than one year	**8,798**	7,904
	17,528	17,342

21. CONTRACT ASSETS/CONTRACT LIABILITIES (continued)

Contract liabilities which are expected to be settled within Group's normal operating cycle, are classified as current liabilities.

Revenue recognised during the year ended 31 March 2020 that was included in contract liabilities at the beginning of the year was amounted to HK$801,000 (2019: HK$1,467,000)

Movement in the allowance for expected credit losses of contract assets

Movement in lifetime ECL that has been recognised for contract assets in accordance with simplified approach set out in HKFRS 9 for the years ended 31 March 2020 and 2019 is as follows:

	Total HK$'000
Balance as at 1 April 2018	1,220
Reversal of expected credit losses ("ECL") *(note)*	(165)
Balance as at 31 March 2019 and 1 April 2019	1,055
ECL	2,440
Balance as at 31 March 2020	3,495

Note: Reversal of allowance of ECL is due to the Group's recovery of contract assets.

Details of assessment of expected credit losses are set out in note 6.

22. OTHER BORROWINGS

The fixed rate other borrowings are repayable as follow:

	2020 **HK$'000**	2019 HK$'000
Carrying amount of other borrowing that are repayable within one year from the end of the reporting period and/or contain a repayment on demand clause	**36,982**	36,982
Amounts due within twelve months shown under current liabilities	**36,982**	36,982

The range of effective interest rates (which were also equal to contracted interest rates) of the Group's other borrowings were as follows:

	2020	2019
Effective interest rate:		
Other borrowings	**10.00%-20.00%**	10.00% – 20.00%

23. ADVANCES DRAWN ON ACCOUNT RECEIVABLES FACTORED WITH RECOURSE

The variable-rate advances drawn on account receivables factored with recourse carry interest at certain basis points over Hong Kong Interbank Offered Rate ("HIBOR") quoted by a bank in Hong Kong, which contain a repayment on demand clause.

As at 31 March 2020, the Group's account receivables factored with recourse were secured by certain assets held by spouse of Mr. Chan.

The range of effective interest rates (which were also equal to contracted interest rates) of the Group's account receivables factored with recourse were as follows:

	2020	2019
Effective interest rate	**4.75%**	–

24. BANK BORROWINGS

The variable-rate bank borrowings are repayable as follows:

	2020 **HK$'000**	2019 HK$'000
Carrying amount of bank borrowings that are contain a repayment on demand clause	**7,344**	–
Amounts due within twelve months shown under current liabilities	**7,344**	–

The variable-rate bank borrowings carried interests at certain basis points over HIBOR quoted by a bank in Hong Kong which are contain a repayment on demand clause.

For the year ended 31 March 2020, the Group's bank borrowings were secured by personally guaranteed of Mr. Chan, certain asset held by Mr. Chan, financial assets at fair value through profit or loss (note 19) and the pledged bank deposits held by the Group (note 18).

The range of effective interest rates (which were also equal to contracted interest rates) of the Group's bank borrowings were as follows:

	2020	2019
Effective interest rate	**3.04%**	–

25. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

The Group entered into lease arrangements with independent third parties in relation to certain properties and motor vehicles. The lease terms ranged from 3 to 4 years (2019: 4 years). Interest rates of underlying lease liabilities at the date of inception is 3.25% to 6.54% and 3.25% to 4.27% per annum as at 31 March 2020 and 2019, respectively. Obligations under finance lease were reclassified to lease liabilities on 1 April 2019 upon the adoption of HKFRS 16 as set out in Note 2.

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**2,708**	187	**2,615**	181
In more than one year and not more than two years	**2,607**	102	**2,568**	101
In more than two years but not more than five years	**434**	–	**433**	–
	5,749	289	**5,616**	282
Less: Future finance charge	**(133)**	(7)	**–**	–
Present value of lease obligation	**5,616**	282	**5,616**	282
Less: Amount due for settlement within twelve months shown under current liabilities			**(2,615)**	(181)
Amount due for settlement after twelve months shown under non-current liabilities			**3,001**	101

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 2.

The leases liabilities amount to approximately HK$101,000 (2019: HK$282,000) are secured by the lessor's charge over the leased assets.

26. SHARE CAPITAL

The share capital of the Group as at 31 March 2020 represented the share capital of the Company and details are disclosed as follows:

	Number of shares	Par value US$	Amount US$
Authorised:			
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	500,000,000	0.01	5,000,000
Issued and fully paid:			
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	200,000,000	0.01	2,000,000
Shown in the consolidated financial position as at 31 March 2019 and 31 March 2020 (in HK$'000)			15,600

27. SHARE OPTION

The company has a share option scheme which was adopted on 30 September 2019 whereby the directors of the company are authorised, at their discretion, to invite employees of the group, including directors of any company in the group, to take up options to subscribe for ordinary shares of the company. The purpose of the scheme is to enable the Company to grant Options to selected Eligible Participants as incentives or rewards for their contribution to the Company and/or the subsidiaries and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group. The share option scheme shall be valid and effective for a period of three years ending on 14 November 2022, after which no further options will be granted.

The exercise price of options is the highest of the nominal value of the shares (if any), the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the share option scheme as at 31 March 2020 was 20,000,000 shares which have been granted but not yet lapsed or exercised and which represented 10% of the ordinary shares of the company in issue at 31 March 2020. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 10% of the company's ordinary shares in issue.

27. SHARE OPTION (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020 Weighted average exercise price per share (HK$)	2020 Number of options	2019 Weighted average exercise price per share (HK$)	2019 Number of options
Outstanding as at the beginning of the year	–	–	–	–
Grant of share options	0.445	20,000,000	–	–
Outstanding as at the end of the year	0.445	20,000,000	–	–

Details of the movements of the share options granted by the Company pursuant to the Share Option Scheme from the date of grant are as below:

	Date of grant	Exercise period of share options	No. of options outstanding at the beginning of the year	Granted during the year	Exercise during the year	Lapsed during the year	No. of options outstanding at the end of the year	Exercise price per share (HK$)
Directors								
Chan Siu Chung	15 November 2019	15 November 2019 to 14 November 2022	–	2,000,000	–	–	2,000,000	0.445
Cheung Hiu Tung	15 November 2019	15 November 2019 to 14 November 2022	–	2,000,000	–	–	2,000,000	0.445
Zhang Hai Wei	15 November 2019	15 November 2019 to 14 November 2022	–	2,000,000	–	–	2,000,000	0.445
Employees	15 November 2019	15 November 2019 to 14 November 2022	–	14,000,000	–	–	14,000,000	0.445
Total				20,000,000	–	–	20,000,000	0.445

Notes:

(i) The Group recognised the total expense of HK$4,182,000 for the year ended 31 March 2020 in relation to the share options granted to the directors and employees of the Company.

(ii) During the year ended 31 March 2020, no share option was cancelled, exercised or lapsed.

27. SHARE OPTION (continued)

Notes: (continued)

The fair value of share options were calculated using the Binomial Model. The inputs into the model were as follows:

	2020
Grant date share price	**HK0.395**
Exercise price	**HK0.445**
Expected volatility	**129.95%**
Expected life	**3 years**
Risk-free rate	**1.68%**
Expected dividend yield	**0%**

28. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2019, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises which fall due as follow:

	2019 HK$'000
Minimum lease payments under operating leases	
Within one year	1,031
In the second to fifth year inclusive	–
	1,031

The leases are generally negotiated for lease terms ranging from one year to three years with fixed monthly rentals. None of the leases include any contingent rentals.

29. RETIREMENT BENEFIT PLANS

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total cost of HK$501,000 and HK$481,000 charged to profit or loss represents contribution paid or payable to the above scheme by the Group for the years ended 31 March 2020 and 31 March 2019 respectively.

30. PLEDGE OF ASSETS

At the end of each reporting period, the carrying amount of the asset pledged by the Group to a bank in order to secure a factoring facility granted by a bank to the Group was as follows:

	2020 HK$'000	2019 HK$'000
Financial assets at fair value through profit or loss	9,835	–
Fixed charge over the Group's bank deposits	1,802	–
	11,637	–

31. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in the consolidated financial statements, the Group has following material related party transactions during the year:

a) **Compensation of key management personnel**
The Directors are identified as the key management personnel of the Company, and their compensations during the year is set out in note 11.

b) As at 31 March 2020, the bank borrowings (note 24) and the surety bond (note 33) were secured by personal guaranteed of Mr. Chan, certain asset held by Mr. Chan, financial assets at fair value through profit or loss and pledged deposits held by the Group.

c) As at 31 March 2020, the advances drawn on account receivables factored with recourse (note 23) were secured by certain asset held by spouse of Mr. Chan.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowing HK$'000	Other borrowings HK$'000	Lease liabilities/ obligations under finance leases HK$'000	Advances drawn on account receivables factored with recourse HK$'000	Total HK$'000
At 1 April 2018	–	36,982	458	–	38,004
Accrued interest	–	3,916	11	–	3,927
Interest paid	–	(3,916)	(11)	–	(3,927)
Financing cash outflows	–	–	(176)	–	(740)
Financing cash inflows	–	–	–	–	–
At 31 March 2019	–	36,982	282	–	37,264
At 1 April 2019	–	36,982	282	–	37,264
Accrued interest	154	3,927	123	84	4,288
Interest paid	(154)	(3,927)	–	(84)	(4,165)
Addition of lease liabilities	–	–	7,570	–	7,570
Financing cash outflows	(256)	–	(2,359)	(19,556)	(22,171)
Financing cash inflows	7,600	–	–	26,556	34,156
At 31 March 2020	7,344	36,982	5,616	7,000	56,942

33. SURETY BOND AND CONTINGENT LIABILITY

A customer of construction contract undertaken by the Group requires a group entity to issue guarantee for performance of contract works in the form of surety bond. The Group provided a counter-indemnity to an insurance company that issued such surety bond. As at 31 March 2020, deposit placed for surety bond was approximately HK$1,802,000 (2019: HK$28,798,000) (note 18). The security bond also secured by personal guarantee of Mr. Chan, certain asset held by Mr. Chan and financial asset at fair value through profit or loss held by the Group.

As at 31 March 2020 and 31 March 2019, the amount of surety bond provided by the Group was HK$3,435,000 and HK$28,798,000 respectively. The unutilised amount was HK$6,565,000 as at 31 March 2020 (2019: Nil).

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2020 **HK$'000**	2019 HK$'000
Current assets		
Other receivables and prepayments	**338**	175
Amount due from a subsidiary	**19,931**	26,349
Bank balances and cash	**134**	55
	20,403	26,579
Current liabilities		
Accruals and other payables	**12,100**	8,574
Other borrowing	**34,804**	34,804
	46,904	43,378
Net current liabilities	**(26,501)**	(16,799)
Net liabilities	**(26,501)**	(16,799)
Capital and reserves		
Share capital	**15,600**	15,600
Reserves	**(42,101)**	(32,399)
Total equity	**(26,501)**	(16,799)

(b) Amount due from a subsidiary is unsecured, interest-free and repayable on demand.

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(c) Reserves of the Company

Below is a table showing the movements of the reserves of the Company during the years ended 31 March 2020 and 31 March 2019:

	Share Premium HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Other reserve HK$'000 (Note)	Total HK$'000
At 31 March 2018	40,201	(62,457)	–	(4,887)	(27,143)
Loss for the year	–	(5,256)	–	–	(5,256)
At 31 March 2019 and 1 April 2019	40,201	(67,713)	–	(4,887)	(32,399)
Loss for the year	–	(13,884)	–	–	(13,884)
Recognition of Equity-settled Share option arrangement	–	–	4,182	–	4,182
At 31 March 2020	**40,201**	**(81,597)**	**4,182**	**(4,887)**	**(42,101)**

Note:

Other reserve represents the fair value adjustment of non-current interest-free amount due from a subsidiary recognised at initial recognition.

35. NON-CASH TRANSACTION

(a) During the year, the share-based payment recognised was approximately HK$4,182,000.

(b) During the year, the additions to right-of-use assets and lease liabilities were approximately HK$7,570,000 in respect of lease arrangements of property.

36. COMPARATIVE INFORMATION

The Group has initially applied HKFRS 16 at 1 April 2019. Under the transition methods, comparative information is not restated.

37. AUTHORISATION OF ISSUE OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement were approved and authorised for issue by the Board of Directors on 30 June 2020.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONSOLIDATED RESULTS					
Revenue	**199,939**	88,913	96,306	114,685	180,391
Profit/(Loss) before income tax	**(27,422)**	(12,496)	(35,300)	(25,794)	17,003
Income tax expense	**–**	57	55	(945)	(3,281)
Profit/(Loss) for the year	**(27,422)**	(12,439)	(35,245)	(26,739)	13,722
Total comprehensive income/(expense) for the year attributable to equity holders of the Company	**(27,422)**	(12,439)	(35,245)	(26,739)	13,722

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**119,645**	75,262	72,680	85,262	53,693
Total liabilities	**(140,780)**	(73,157)	(55,484)	(32,821)	(30,274)
Net (liabilities)/assets	**(21,135)**	2,105	17,196	52,441	23,419