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HING MING HOLDINGS LIMITED

興 銘 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8425)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Hing Ming Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 March 2019. This announcement, containing the full text of the 2019 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany the preliminary announcement of annual results.

By order of the Board
Hing Ming Holdings Limited
Tang Hing Keung

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 21 June 2019

As at the date of this announcement, the executive Directors are Mr. Tang Hing Keung (Chairman and Chief Executive Officer), Mr. Lu Zhaoqing (Vice Chairman), Mr. Tang Ming Hei and Ms. Au Man Yi; the non-executive Directors are Ms. Au Fung Yee and Mr. Au Lop Wah Edmond; and the independent non-executive Directors are Mr. Kwan Woon Man Boris, Mr. Chiu Chi Wing and Ms. Li Kai Lai Miranda.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at www.hing-ming.com.



HING MING HOLDINGS LIMITED
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2019
ANNUAL REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of 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 of the Stock Exchange 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 take no responsibility for the contents of this 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 report.

*This report, for which the directors (the "**Directors**") of Hing Ming Holdings Limited (the "**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 (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tang Hing Keung (*Chairman and Chief Executive Officer*)

Mr. Lu Zhaoqing (*Vice Chairman*)

Mr. Tang Ming Hei

Ms. Au Man Yi

NON-EXECUTIVE DIRECTORS

Ms. Au Fung Yee

Mr. Au Lop Wah Edmond

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Woon Man Boris

Mr. Chiu Chi Wing

Ms. Li Kai Lai Miranda

AUDIT COMMITTEE

Mr. Chiu Chi Wing (*Chairman*)

Mr. Kwan Woon Man Boris

Ms. Li Kai Lai Miranda

REMUNERATION COMMITTEE

Ms. Li Kai Lai Miranda (*Chairman*)

Mr. Kwan Woon Man Boris

Mr. Chiu Chi Wing

NOMINATION COMMITTEE

Mr. Kwan Woon Man Boris (*Chairman*)

Mr. Chiu Chi Wing

Ms. Li Kai Lai Miranda

AUTHORISED REPRESENTATIVES

Mr. Tang Hing Keung

Mr. Tang Ming Hei

COMPANY SECRETARY

Ms. Lam Yuen Lan

COMPLIANCE OFFICER

Mr. Tang Ming Hei

COMPLIANCE ADVISER

CLC International Limited

13/F., Nan Fung Tower

88 Connaught Road Central

Central, Hong Kong

INDEPENDENT AUDITOR

Baker Tilly Hong Kong Limited

Certified Public Accountants

2nd Floor, 625 King's Road

North Point

Hong Kong

LEGAL ADVISER

As to Hong Kong Law

ONC Lawyers

19th Floor, Three Exchange Square

8 Connaught Place

Central, Hong Kong

PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited

DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited

Room 2103B, 21st Floor

148 Electric Road

North Point

Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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83-87 Nathan Road

Kowloon

Hong Kong

STOCK CODE

8425

COMPANY WEBSITE

www.hing-ming.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Hing Ming Holdings Limited (the **"Company"** or **"our Company"**) and its subsidiaries (collectively, the **"Group"** or **"our Group"**) for the year ended 31 March 2019 (**"FY2019"**) on behalf of the board (the **"Board"** or **"our Board"**) of directors (the **"Directors"** or **"our Directors"**) of the Company.

BUSINESS AND FINANCIAL REVIEW

For FY2019, our Group's total revenue and gross profit were approximately HK\$48.2 million and HK\$20.7 million, respectively, representing a decrease of approximately 9.2% and 24.5%, respectively, as compared to that of last year. Such decrease was mainly attributable to (i) the decrease in revenue generated from the trading of equipment and spare parts business of the Group due to the competition with other market players and (ii) a lower gross profit margin for the Group as a result of the increase in depreciation charges in cost of sales FY2019.

In FY2019, the Hong Kong economy was under downward pressure brought about by the slowdown of economic growth in the world and the operating environment remained challenging. With our commitment to excellence and enterprising spirit, we maintained our good business relationships with our major suppliers and our major customers and upheld our high quality products and services. In addition, we have an experienced and dedicated management team. We believe we are able to remain competitive in and well-positioned to compete in the future.

OUTLOOK

Despite the extremely challenging business environment and competition, our Group will continue to strive to focus on capturing the potential growth of the Hong Kong construction market with our Group's competitive strengths and will continue to adopt a positive yet prudent approach in its business strategy, with the aim of enhancing our Group's profitability and shareholders' value in the long run. Meanwhile, our Group will also explore other potential investment opportunities in order to diversify our Group's business and create new sources of revenue for our Group.

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our valuable customers, business partners, shareholders and suppliers for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of our Group.

Tang Hing Keung

Chairman and Chief Executive Officer

Hong Kong, 21 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Our Group is principally engaged in (i) providing rental services of temporary suspended working platforms and other equipment, mainly including tower cranes and generators; and (ii) trading of equipment and spare parts, mainly including permanent suspended working platforms, motors and wire rope. We have over 20 years of experience in providing rental and related services of temporary suspended working platforms to our customers.

BUSINESS REVIEW AND OUTLOOK

Our temporary suspended working platforms and tower cranes are commonly used in housing construction. We believe that housing construction will continue to drive the demand for our machinery in the future. Given that the number of applications for public housing has been increasing in recent years in Hong Kong, the Hong Kong government and related departments are trying to find more locations to build public housing estates in order to cater for the huge demands. In view of the above, we are confident that the demand for our temporary suspended working platforms and tower cranes will remain strong in the years to come.

RENTAL AND RELATED SERVICES

Our Group has been providing temporary suspended working platforms to our customers for housing construction or repair and refurbishment purposes. We source motors and other temporary suspended working platform components separately from our suppliers, and we assemble the platforms in our storage and repairing workshop located in Pat Heung, Hong Kong. Apart from temporary suspended working platforms, our Group also offers tower crane and generator rental services to our customers for housing construction purpose.

TRADING OF EQUIPMENT AND SPARES PARTS

With our established customer and supplier base, we also engage in the trading of equipment and spare parts, mainly including permanent suspended working platforms, motors and wire rope, predominantly in Hong Kong which further enhances our capability to satisfy customers' demands. We source our equipment and spare parts from suppliers mainly located in Germany, Belgium, Spain and China, and sell them mainly to construction contractors and trading companies in Hong Kong.

Looking forward, drawing on our Group's extensive expertise, our Group will strive to lead the temporary suspended working platform industry with the offer of our high-quality equipment and premium service and will also seize emerging opportunities in the growing equipment rental industry.

For the long-term and diversified development of our Group, we have been exploring other business opportunities in the construction industry in Hong Kong, in an attempt to create greater sustainable returns for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

RENTAL FLEET

As at 31 March 2019, the machinery which we carried as part of our rental fleet included temporary suspended working platforms, tower cranes and generators. Details of the machinery available for our rental operations are summarised as follows:

	As at	
	31 March 2019 Number in fleet	31 March 2018 Number in fleet
Temporary suspended working platforms	1,218	1,030
Tower cranes	19	12
Generators	26	27

In order to capture the market demand for rental services of tower cranes and to meet the needs of our customers, we purchased seven tower cranes during FY2019. Such new tower cranes have been used for building construction projects in Tin Shui Wai and Queen's Hill, Hong Kong.

Our Directors will continue to monitor the expansion plan of our rental fleet and the capital requirements of our Group regularly, and will consider rescheduling such expansion according to our operation and needs, the preference of our target customers and the market conditions if necessary. We shall also review regularly the timing for the purchase of additional, and the replacement of existing, construction machineries if, among others, market conditions have changed.

FINANCIAL REVIEW REVENUE

Our Group recorded a decrease in revenue for FY2019, which decreased by approximately 9.2% to approximately HK\$48.2 million as compared with revenue of approximately HK\$53.0 million for FY2018. The decrease was mainly due to (i) decrease in revenue generated from trading of equipments and spare parts; and (ii) decrease in revenue generated from rental service of temporary suspended working platforms, during FY2019.

COST OF SALES AND SERVICES RENDERED

Cost of sales and services rendered mainly represents the cost of inventories sold and materials consumed, staff costs, rental of equipment and depreciation. Our Group's cost of sales and services rendered amounted to approximately HK\$27.4 million for FY2019, representing an increase of approximately 7.2% (FY2018: approximately HK\$25.6 million). The increase was mainly due to the increase of depreciation charged as a result of additional tower cranes purchased during FY2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our Group's gross profit decreased by approximately 24.5% from approximately HK\$27.4 million for FY2018 to approximately HK\$20.7 million for FY2019, such decrease in gross profit was mainly due to the decrease in revenue during the period. The gross profit margin decreased to approximately 43.0% for FY2019 (FY2018: approximately 51.7%).

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

Our Group recognised other income of approximately HK\$1.9 million and approximately HK\$0.3 million in FY2018 and FY2019, respectively. The decrease in other income was mainly due to a one-off receipt of reimbursement from our insurance provider and service fees arising from a small construction project recorded during FY2018.

ADMINISTRATIVE EXPENSES

Our administrative expenses for FY2019 remained relatively constant at approximately HK\$10.7 million, representing an increase of approximately 3.1% as compared with that of approximately HK\$10.4 million for FY2018. Administrative expenses primarily consisted of salaries paid and other benefits provided to directors and staff, audit fee and legal and professional fees to ensure ongoing compliance with relevant rules and regulations.

FINANCE COSTS

Our finance costs comprised interest on the Group's finance leases, which amounted to approximately HK\$0.7 million for FY2019, representing an increase of approximately HK\$0.2 million or approximately 45.5% (FY2018: approximately HK\$0.5 million). The increase in finance costs was mainly due to the increase in total debts outstanding during FY2019 as compared with that for FY2018.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Our Group recorded profit and total comprehensive income for the year of approximately HK\$15.4 million and HK\$6.3 million for FY2018 and FY2019 respectively. The decrease in profit for the year was mainly due to the (i) decrease in revenue and (ii) decrease in gross profit during FY2019 as stated above.

CAPITAL EXPENDITURE

Our Group's capital expenditure during FY2019 primarily comprised expenditure on plant and machinery, motor vehicles as well as furniture and equipment, amounting to a total of approximately HK\$37.2 million (FY2018: approximately HK\$34.1 million). The vast majority of the capital expenditure was used to purchase additional tower cranes and generators, which accounted for approximately 85.8% (FY2018: 65.6%) and 2.9% (FY2018: 19.3%), respectively, of the total capital expenditure in FY2019.

LIQUIDITY AND CAPITAL RESOURCES

Our Group financed the operations through a combination of cash flow from operations and finance leases. As at 31 March 2019, our Group had cash and cash equivalents of approximately HK\$37.6 million (FY2018: approximately HK\$47.6 million). The decrease in cash and cash equivalents was mainly due to the increase in capital expenditure as explained above.

As at 31 March 2019, we had finance lease payables of approximately HK\$13.6 million (FY2018: approximately HK\$4.6 million), which were all denominated in Hong Kong Dollars. Our gearing ratio, calculated based on the finance lease payables divided by the total equity at the end of the year and multiplied by 100%, stood at approximately 11.5% as at 31 March 2019 (FY2018: approximately 4.1%). Our Group's financial position is sound and strong. With available bank balances and cash and banking facilities, our Group has sufficient liquidity to satisfy the funding requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 31 March 2019, our Company's issued share capital amounted to HK\$4,000,000 and there were a total of 400,000,000 issued ordinary shares with a nominal value of HK\$0.01 each.

COMMITMENTS

The operating lease commitments of our Group were primarily related to the leases of a storage and repairing workshop. Our Group's operating lease commitments amounted to approximately HK\$1.0 million as at 31 March 2019 (FY2018: approximately HK\$2.3 million).

As at 31 March 2019, our Group did not have any significant capital commitments (FY2018: Nil).

CONTINGENT LIABILITIES

As at 31 March 2019, the Company issued corporate guarantee to a subsidiary in respect of the plant and machinery under finance leases at 6.19%–6.28% per annum (FY2018: Nil) with the carrying amount of approximately HK\$13.6 million (FY2018: HK\$Nil).

Save as disclosed above, as at 31 March 2019, our Group had no material contingent liabilities (FY2018: Nil).

FOREIGN EXCHANGE EXPOSURE

Our Group's revenue generating operations are mainly transacted in Hong Kong Dollars. Our Directors consider that the impact of foreign exchange exposure to our Group is minimal.

DIVIDEND

Our Board has resolved not to recommend the payment of a final dividend for FY2019 (FY2018: Nil).

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

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during FY2019. Save for the business plans as disclosed in the prospectus of the Company dated 28 February 2017 (the "**Prospectus**"), there was no other plan for material investments or capital assets as at 31 March 2019.

SIGNIFICANT INVESTMENTS

As at 31 March 2019, our Group did not hold any significant investments.

CHARGE ON OUR GROUP'S ASSETS

As at 31 March 2019, our Group had no charges on our Group's assets.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, our Group employed 53 (FY2018: 56) full-time employees. Staff costs of our Group (including Directors' remuneration) were approximately HK\$13.6 million in FY2019 (FY2018: approximately HK\$14.6 million). The decrease in staff costs was mainly due to absence of salary bonus during the FY2019. We determine the employees' remuneration based on factors such as qualification, responsibilities, contributions and years of experience. In addition to the basic salary and discretionary bonus that may be granted to staff by reference to the Group's financial results, individual staff member's performance and the market conditions, we provide a defined contribution to the mandatory provident fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. The key principle of our remuneration policy is to remunerate employees in a manner that is market competitive. We regularly carry out staff evaluation to assess their performance. Furthermore, our Company has adopted a share option scheme to reward the participants (as defined thereunder) for their contribution to our Group. The Group also arranges on-the-job trainings relevant to the employees' current job duties to update and further develop their skills and knowledge.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

During FY2019, our Company did not redeem its listed securities, nor did our Company or any of its subsidiaries purchase or sell any of such securities.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the Prospectus with actual business progress from 15 March 2017 (the "Listing Date") to 31 March 2019.

Business objectives

Actual progress

Strengthen our market position in the suspended working platform industry

Our Group has acquired new motors and other necessary components for replacement of old temporary suspended working platforms.

Diversify our income stream and capture the market demand of rental services of tower cranes

Our Group acquired seven tower cranes in order to capture the market demand of rental services of tower crane and meet the needs of our customers. Our Group retained two general technicians and a sales manager to support our operation in the tower crane rental business.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE SHARE OFFER

The issued Shares of our Company (the “Shares”) were initially listed on GEM of the Stock Exchange on the Listing Date by way of share offer of a total of 100,000,000 new Shares at an offer price of HK\$0.75 each (the “Share Offer”) and the net proceeds raised from the Share Offer were approximately HK\$53.3 million after deducting the listing expenses.

During the period from the Listing Date to 31 March 2019, the net proceeds from the Share Offer had been applied as follows:

	Planned use of net proceeds from the Share Offer	Net proceeds utilised up to 31 March 2019	Net proceeds unutilised as at 31 March 2019
	HK\$ (million)	HK\$ (million)	HK\$ (million)
Strengthen our market position in the suspended working platform industry	14.0	5.8	8.2
Diversify our income stream and capture the market demand of rental services of tower cranes	35.2	35.2	—
General working capital	4.1	4.1	—
	<u>53.3</u>	<u>45.1</u>	<u>8.2</u>

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The proceeds were applied in accordance with the actual development of the market. The Directors will constantly evaluate the Group’s business objectives and will change or modify plans against the changing market conditions with the aim of ascertaining the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers for management and conduct of our Group's business. Our senior management consists of our director of engineering, financial controller and company secretary. Our senior management is responsible for the day-to-day management of our business.

DIRECTORS EXECUTIVE DIRECTORS

Mr. Tang Hing Keung (鄧興強)

Executive Director, Chairman and Chief Executive Officer

Mr. Tang Hing Keung, aged 61, was appointed as our Director on 8 April 2016 and designated as our executive Director on 24 June 2016. Mr. Tang Hing Keung also holds directorships in all the subsidiaries of the Company. He is one of the founders of our Group, the chairman of our Board and the chief executive officer of the Company, responsible for strategic planning and the overall management and supervision of operations of our Group. Mr. Tang Hing Keung has been a director of Hing Ming Gondola (HK) Company Limited ("**Hing Ming Gondola**") and Trend Novel Limited, both wholly-owned subsidiaries of the Company since September 1997 and April 2016, respectively.

Mr. Tang Hing Keung has over 20 years of experience in the construction industry, in particular the suspended working platform industry and the tower crane industry in Hong Kong. Prior to incorporating Hing Ming Gondola, he worked in a number of construction companies in Hong Kong. From 1979 to 1983, Mr. Tang Hing Keung worked as a technician in Hopewell Construction Company Limited, mainly responsible for (i) operating tower cranes, welding machines and hydraulic machines, and (ii) repairing tower cranes, suspended working platforms and security cages for workers. From 1983 to 1988, Mr. Tang Hing Keung worked as a technician in Hip Hing Construction Company Limited, mainly responsible for (i) operating tower cranes and welding machines, (ii) installing and repairing construction equipment and (iii) installing security cages for workers. In 1988 and 1989, he worked in Gammon Construction Limited, mainly responsible for operating tower cranes. In February 1990, he established Hing Ming Engineering Co. as a sole proprietorship to start up his own business of machinery engineering in Hong Kong. Mr. Tang Hing Keung completed a three-year prevocational course in Caritas St. Joseph Prevocational School in November 1974.

Mr. Tang Hing Keung was conferred the title of honorary principal of 龍潭興銘雁心小學 (Longtan Hing Ming Hearts Hope Primary School) and 興銘雁心希望小學 (Hing Ming Hearts Hope Primary School) in September 2010 and March 2013, respectively. Both of the schools are in Hunan, the People's Republic of China (the "**PRC**").

Mr. Tang Hing Keung is the husband of Ms. Au Fung Yee, a non-executive Director, the father of Mr. Tang Ming Hei, an executive Director, and the brother-in-law of Mr. Au Lop Wah Edmond, a non-executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lu Zhaoqing (盧照慶)

Executive Director, Vice Chairman

Mr. Lu Zhaoqing, aged 36, was appointed as vice chairman of our Board and an executive Director on 15 March 2019. Mr. Lu also holds directorships in Hengchuang Changyuan International Limited and Hong Kong Hengchuang Xiangrong Limited, which are subsidiaries of the Company. He is responsible for strategic planning and overall management and supervision of operations of the Group. Mr. Lu has been the chairman of Heng Chuang Holding Group Co., Ltd. (恒創控股集團有限公司) (“**Heng Chuang**”), a company established in the PRC engaging in the business of inclusive finance and investment management since November 2016. He is mainly responsible for Heng Chuang’s strategic development and planning. He obtained a Master’s degree in Business Management from Peking University (北京大學) in the PRC in July 2018. Mr. Lu has extensive experience in investment planning, real estate investment, assets management and project investments industries.

Hing Gut Limited (a controlling shareholder of the Company) and Mr. Lu entered into a share purchase agreement dated 11 March 2019 for the sale of 100,000,000 ordinary shares in the issued share capital of the Company (the “**Sale Shares**”) by Hing Gut Limited to Mr. Lu. The Sale Shares represent 25% of the issued share capital of the Company as at the date of this report. The aforesaid transaction has not been completed as at the date of this report.

Mr. Tang Ming Hei (鄧銘禧)

Executive Director

Mr. Tang Ming Hei, aged 31, was appointed as our Director on 24 May 2016 and designated as our executive Director on 24 June 2016. He was also appointed as the compliance officer of the Company on 23 June 2016. He is responsible for advising on compliance matters of our Group.

Mr. Tang Ming Hei had worked as a part-time compliance consultant of Hing Ming Gondola since December 2015 until he joined our Group as a full-time compliance consultant in April 2016. He worked in CACEIS Hong Kong Trust Company Limited, a member of Crédit Agricole Group, from December 2014 to April 2016. From November 2013 to December 2014, he worked as a tax consultant in KPMG Tax Limited.

Mr. Tang Ming Hei obtained a dual degree of Bachelors of Laws and Commerce from The University of Queensland, Australia in July 2012. In July 2013, he obtained the Graduate Diploma in Legal Practice from The Australian National University, Australia and obtained a degree of Master of Commerce in Financial Econometrics from the University of New South Wales, Australia.

Mr. Tang Ming Hei was admitted as a Lawyer of the Supreme Court of New South Wales by The Supreme Court of New South Wales in July 2013. He was also admitted as an associate member of CPA Australia in June 2014.

Mr. Tang Ming Hei is the son of Mr. Tang Hing Keung and Ms. Au Fung Yee, an executive Director and a non-executive Director, respectively and the nephew of Mr. Au Lop Wah Edmond, a non-executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Au Man Yi (歐敏誼)

Executive Director

Ms. Au Man Yi, aged 35, was appointed as our executive Director on 16 January 2018. Ms. Au M. Y. is also a director of Hing Ming Construction Equipment Company Limited, which is a subsidiary of the Company. She is responsible for strategic planning and overall management and supervision of operations, and advises on compliance matters of our Group. Ms. Au M. Y. has been working as a sales manager of Hing Ming Gondola since July 2017.

Ms. Au M. Y. obtained a degree of Bachelor of Arts in Accountancy in 2005 and a degree of Master of Corporate Governance in 2014 from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom (the "UK"). Ms. Au M. Y. has over 12 years of experience in auditing, financial reporting and financial management.

From September 2013 to September 2015, Ms. Au M. Y. was the chief financial officer of Long Success International (Holdings) Limited (stock code: 8017). Ms. Au M. Y. was an executive director of KSL Holdings Limited (currently known as China All Nation International Holdings Group Limited) (stock code: 8170) from October 2015 to June 2017 and the company secretary of KSL Holdings Limited (currently known as China All Nation International Holdings Group Limited) from April 2016 to June 2016. From October 2015 to June 2016, Ms. Au M. Y. was the company secretary of Glory Flame Holdings Limited (stock code: 8059). The shares of all the aforementioned companies are listed on GEM of the Stock Exchange ("GEM") except for the first-mentioned company which has been delisted.

From February 2015 to May 2017, Ms. Au M. Y. was an independent non-executive director of JC Group Holdings Limited (currently known as Tonking New Energy Group Holdings Limited) (stock code: 8326), the shares of which are listed on GEM. From July 2015 to September 2016, Ms. Au M. Y. was also an independent non-executive director of King Force Security Holdings Limited (currently known as Greatwalle Inc.) (stock code: 8315), the shares of which are listed on GEM.

NON-EXECUTIVE DIRECTORS

Ms. Au Fung Yee (區鳳怡)

Non-executive Director

Ms. Au Fung Yee, aged 56, was appointed as our Director on 8 April 2016 and designated as our non-executive Director on 24 June 2016. She is one of the founders of our Group and is responsible for the strategic planning and financial planning of our Group. Ms. Au F. Y. has been a director of Hing Ming Gondola and Trend Novel Limited since September 1997 and April 2016, respectively.

Ms. Au F. Y. has more than 15 years of experience in the business of suspended working platforms-related business. She founded Hing Ming Gondola together with Mr. Tang Hing Keung in September 1997 and has been a director thereof since then, mainly responsible for handling financial matters. She was also the company secretary of Hing Ming Gondola during the period between September 1997 and June 2006.

Ms. Au F. Y. is the wife of Mr. Tang Hing Keung, the chairman of the Board, an executive Director and the chief executive officer of the Company, the mother of Mr. Tang Ming Hei, an executive Director, and the younger sister of Mr. Au Lop Wah Edmond, a non-executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Au Lop Wah Edmond (區立華)

Non-executive Director

Mr. Au Lop Wah Edmond, aged 63, was appointed as our Director on 24 May 2016 and designated as our non-executive Director on 24 June 2016. He is primarily responsible for advising on opportunities for business development and expansion of our Group.

Mr. Au has more than 20 years of experience in engineering and corporation management. From April 1999 to April 2017, he was a director of Alstom Power Service (Hong Kong) Limited (currently known as GE Power Service (Hong Kong) Limited), mainly responsible for the development of the company. From January 1996 to April 1999, he worked as a construction engineer in Mass Transit Railway Corporation, mainly responsible for project management. In October 1973, he joined China Light & Power Company, Limited as a student apprentice, and left as a mechanical maintenance engineer in November 1994.

Mr. Au obtained a Certificate in Supervisory Management from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1980. He was also awarded the Associateship in Mechanical Engineering by Hong Kong Polytechnic in November 1988. In September 1989, he obtained a Diploma in Management Studies awarded jointly by Hong Kong Polytechnic and Hong Kong Management Association.

Mr. Au was admitted as a member and was registered as a Chartered Mechanical Engineer with The Institution of Mechanical Engineers in June 1990 in the UK. He was also admitted as a member of The Hong Kong Institution of Engineers in November 1994.

Mr. Au is the elder brother of Ms. Au Fung Yee, a non-executive Director, the brother-in-law of Mr. Tang Hing Keung, the chairman of the Board, an executive Director and the chief executive officer of the Company, and the uncle of Mr. Tang Ming Hei, an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Woon Man Boris (關煥民)

Independent Non-executive Director

Mr. Kwan Woon Man Boris, aged 60, was appointed as our independent non-executive Director on 23 February 2017. He has been the chairman of the nomination committee of the Board (the “**Nomination Committee**”) as well as a member of each of the audit committee of the Board (the “**Audit Committee**”) and the remuneration committee of the Board (the “**Remuneration Committee**”) since the same date. He is primarily responsible for providing independent advice to our Board.

Mr. Kwan is a general manager of Vigers Security Limited, mainly responsible for management of the company. He joined the Hong Kong Police Force in 1978 and retired in 2014 with his last position being the chief inspector. During his service with the Hong Kong Police Force, he was awarded the Hong Kong Police Medal for Meritorious Service in the Hong Kong Special Administrative Region 2014 Honours List in July 2014.

Mr. Kwan completed a Diploma Programme in Police Studies organised by the School of Continuing Studies, The Chinese University of Hong Kong in January 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chiu Chi Wing (趙志榮)

Independent Non-executive Director

Mr. Chiu Chi Wing, aged 55, was appointed as our independent non-executive Director on 23 February 2017. He has been the chairman of the Audit Committee as well as a member of each of the Nomination Committee and the Remuneration Committee since the same date. He is primarily responsible for providing independent advice to the Board.

Mr. Chiu has over 20 years of experience in accounting, auditing and taxation. He is a co-founder and is currently a director of Lixin C.P.A. Limited which was founded in May 2002, mainly responsible for reviewing and providing technical advice and providing training to staff for audit, taxation, accounting and company secretarial matters. From November 1990 to March 1991, he worked as the internal auditor of The Po Leung Kuk, mainly responsible for carrying out internal audit works. From August 1986 to October 1990, Mr. Chiu worked in KPMG, mainly responsible for audit works.

Mr. Chiu obtained an Honours Diploma in Accountancy from Lingnan College (currently known as Lingnan University) in November 1986. Mr. Chiu was admitted as a fellow member of The Chartered Association of Certified Accountants in the UK in October 1994. He was also admitted as an associate and a fellow of the Hong Kong Institute of Certified Public Accountants in February 1990 and September 1997, respectively. Mr. Chiu was appointed as a member of the Court of Lingnan University from October 2001 to October 2005, and a member of the Council of Lingnan University from August 2006 to August 2009.

On 18 November 2016, Mr. Chiu was appointed as an independent non-executive director of Gudou Holdings Limited, a company listed on GEM (stock code: 8308).

Ms. Li Kai Lai Miranda (李嘉麗)

Independent Non-executive Director

Ms. Li Kai Lai Miranda, aged 45, was appointed as our independent non-executive Director on 9 May 2018. She was also appointed as the chairman of the Remuneration Committee as well as a member of each of the Audit Committee and the Nomination Committee on the same date. Ms. Li is primarily responsible for providing independent advice to our Board.

Ms. Li obtained a Diploma in Computer Programming and Analysis from Seneca College of Applied Arts and Technology in Canada in June 2004. Ms. Li has more than 9 years of experience in corporate management. From February 2009 to April 2014, she was a director of Soho Workstation Limited, a private company which was dissolved by deregistration in January 2018, and was mainly responsible for formulating marketing strategies and working on ad-hoc projects related to business centre field. Since September 2009, she has been a director of Trusty Surveyors Limited, mainly responsible for rental related service to tenants and assisting with lease renewal. Since November 2010, she has also been a director of Soho Funds Investment Limited, mainly responsible for providing a spectrum of yachting solutions, including insurance, berthing, captains and crew, management and emergency support services for luxury yacht charter.

Save as disclosed in the sections headed "Directors and Senior Management" on pages 10 to 15 and "Report of the Directors" on pages 16 to 27 of this annual report, none of the Directors is a director or employee of a company which has an interest in the share capital of the Company which would fall to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Leung She Lit (梁社列), aged 63, is the director of engineering of our Group. He joined our Group in September 1997 as construction site controller and is primarily responsible for monitoring the installation, operations and maintenance of suspended working platforms, as well as providing training and issuing the operation certificate of suspended working platforms.

Mr. Leung has about 20 years of experience in the construction industry. He is a registered skilled worker under the trade division of Plant & Equipment Mechanic (construction work) (Master) with the Hong Kong Construction Industry Council under the Senior Workers Registration Arrangement. Only senior workers with at least 10 years' experience of relevant trade divisions are allowed to register as skilled workers under such arrangement.

REPORT OF THE DIRECTORS

The Board is pleased to present to the shareholders the annual report together with the audited consolidated financial statements of our Group for FY2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and details including the principal activities of its subsidiaries are set out in note 27 to the consolidated financial statements. There was no significant change in our Group's principal activities during FY2019.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 8 April 2016 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. In preparation for the listing of the shares of the Company (the "**Shares**") on GEM, the companies now comprising our Group underwent a corporate reorganisation (the "**Reorganisation**"), pursuant to which the Company became the holding company of our Group on 23 February 2017. For details of the Reorganisation, please refer to the section headed "History, Development and Reorganisation" in the Prospectus.

The issued Shares have been listed on GEM of the Stock Exchange since 15 March 2017.

RESULTS AND APPROPRIATIONS

The results of our Group for FY2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report. No dividend was paid or proposed by the Company during FY2019.

The Board has resolved not to recommend the payment of a final dividend for FY2019 (FY2018: Nil).

CHARITABLE DONATIONS

Charitable donations made by the Group during FY2019 amounted to HK\$Nil (FY2018: HK\$180,000).

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholders' entitlements to attend and vote at the forthcoming annual general meeting of the Company (the "**AGM**"), the register of members of the Company will be closed from Tuesday, 13 August 2019 to Friday, 16 August 2019, both days inclusive, during which period no transfer of the Shares will be registered. Non-registered shareholders must lodge all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 12 August 2019.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The review of the business of our Group during FY2019 and the discussion on our Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on page 3 and pages 4 to 9, respectively, of this annual report, and the description of principal risks and uncertainties facing our Group and the key financial performance indicators are set out in the sections headed "Report of the Directors" and "Management Discussion and Analysis" on pages 16 to 27 and pages 4 to 9 of this annual report, respectively. The financial risk management objectives and policies of our Group are set out in note 22 to the consolidated financial statements. No important event affecting our Group has occurred since the end of FY2019 and up to the date of this annual report. In addition, discussions on our Group's principal risks and uncertainties, relationships with key stakeholders, environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on our Group are as follows:

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to our Group's business have been set out in the Prospectus under the section headed "Risk Factors".

RELATIONSHIP WITH KEY STAKEHOLDERS

Our Group's success depends on, amongst other matters, the support from key stakeholders who/which comprise employees, customers and suppliers.

EMPLOYEES

Employees are regarded as important and valuable assets of our Group. The objectives of our Group's human resource management are to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within our Group for career advancement.

CUSTOMERS

Our customers consist of construction companies, owners of commercial properties and trading companies in Hong Kong, as well as overseas suspended working platform companies. We have established long-term business relationships with some of our customers for over 10 years. Our sales and marketing team maintains contacts with these customers on a regular basis to understand their needs and to provide relevant information to support their projects.

SUPPLIERS

Our suppliers include components and equipment suppliers, many of which are located in Europe, the PRC and Hong Kong. We communicate with our suppliers regularly to ensure that they are committed to delivering high-quality and sustainable products and services. We select suppliers from our pre-approved list of suppliers.

PARTICULARS OF IMPORTANT EVENTS

The Board has not identified any important events affecting the Group that have occurred since the end of FY2019.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We believe that our business depends on, among others, our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. In order to meet our customers' requirements, we have established safety, quality and environmental management systems. Through an effective control of our operations, compliance with safety, quality and environmental requirements can be further assured.

REPORT OF THE DIRECTORS

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Directors confirmed that during FY2019 and up to the date of this annual report, our Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Hong Kong that had a significant impact on it.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of our Group during FY2019 are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during FY2019, together with the reasons therefor, are set out in note 21 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During FY2019 and thereafter up to the date of this annual report, our Company did not redeem any of its listed securities nor did the Company or any member of our Group purchase or sell such securities.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company had reserves amounting to approximately HK\$60.3 million available for distribution as calculated based on the Company's share premium and retained earnings under applicable provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of our Group for the last five financial years is set out on page 98 of this annual report. This summary does not form part of the audited consolidated financial statements of our Group for FY2019.

DIRECTORS

The Directors during FY2019 and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Mr. Tang Hing Keung (*Chairman and Chief Executive Officer*)
Mr. Lu Zhaoqing (*Vice Chairman*) (appointed on 15 March 2019)
Mr. Tang Ming Hei
Ms. Au Man Yi

NON-EXECUTIVE DIRECTORS

Ms. Au Fung Yee
Mr. Au Lop Wah Edmond

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Woon Man Boris
Mr. Chiu Chi Wing
Ms. Li Kai Lai Miranda (appointed on 9 May 2018)
Mr. Tang Man Ho Michael (resigned on 9 May 2018)

REPORT OF THE DIRECTORS

Information regarding Directors' emoluments and the five highest paid individuals in our Group are set out in notes 7 and 8 to the consolidated financial statements.

The biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" of this annual report.

Pursuant to article 83(3) of the articles of association of the Company (the "**Articles of Association**"), any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and shall be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Mr. Lu Zhaoqing was appointed as an executive Director by the Board on 15 March 2019 as an addition to the existing Board. Thus, he will retire from office at the forthcoming AGM to be held on Friday, 16 August 2019 and, being eligible, will offer himself for re-election thereat.

Pursuant to article 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Pursuant to article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation, who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Tang Ming Hei, Mr. Chiu Chi Wing and Mr. Kwan Woon Man Boris will retire from office by rotation at the forthcoming AGM to be held on Friday, 16 August 2019 and, being eligible, will offer themselves for re-election thereat.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of our executive Directors has entered into a service contract with the Company for a term of three years commencing on the Listing Date or the relevant appointment date unless terminated by not less than three months' notice in writing served by either party on the other, and is subject to other termination provisions therein and the provisions on retirement of Directors as set out in the memorandum of association of the Company and the Articles of Association (the "**M&A**").

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of three years commencing on the Listing Date or the relevant appointment date unless terminated (i) by not less than one month's notice in writing served by the relevant Director; or (ii) forthwith by the Company by notice in writing, and is subject to other termination provisions therein and the provisions on retirement of Directors as set out in the M&A.

REPORT OF THE DIRECTORS

No Director proposed for re-election at the forthcoming AGM has entered into a service contract or letter of appointment with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by our Group during FY2019 or existed at the end of FY2019.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during FY2019 or at the end of FY2019 was the Company, or any of its subsidiaries or fellow subsidiaries, or the holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2019, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO) or which would be required (a) pursuant to section 352 of the SFO, to be recorded in the register referred to therein or (b) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, are set out as follows:

LONG POSITION IN THE ORDINARY SHARES OF THE COMPANY

Name of Directors	Capacity/ Nature of Interest	Number of Shares Held	Percentage of Total Issued Shares
Mr. Tang Hing Keung (Note)	Interest in a controlled corporation	210,000,000	52.5%
Ms. Au Fung Yee (Note)	Interest of spouse	210,000,000	52.5%

Note: The Company is owned as to 52.5% by Hing Gut Limited, which is an investment holding company. Hing Gut Limited is owned as to 90% by Mr. Tang Hing Keung and as to 10% by Ms. Au Fung Yee. Under the SFO, Mr. Tang Hing Keung is deemed to be interested in the same number of Shares held by Hing Gut Limited. Ms. Au Fung Yee is the wife of Mr. Tang Hing Keung. Under the SFO, Ms. Au Fung Yee is deemed to be interested in the same number of Shares in which Mr. Tang Hing Keung is interested and is deemed to be interested. Mr. Tang Hing Keung and Ms. Au Fung Yee are directors of Hing Gut Limited.

REPORT OF THE DIRECTORS

LONG POSITION IN THE ORDINARY SHARES OF THE ASSOCIATED CORPORATION

Name of Directors	Name of Associated Corporation	Capacity/ Nature of Interest	Number of Shares Held	Percentage of Shareholding
Mr. Tang Hing Keung	Hing Gut Limited (Note)	Beneficial owner	9	90%
Ms. Au Fung Yee	Hing Gut Limited (Note)	Beneficial owner	1	10%

Note: On 8 January 2019, the Company was notified that Hing Gut Limited, a controlling shareholder of the Company, had pledged an aggregate of 210,000,000 ordinary shares in the issued share capital of the Company (the "Pledged Shares") in favour of Kingston Finance Limited, an independent third party, as security for a loan provided by Kingston Finance Limited to one of the beneficial owners of Hing Gut Limited. The Pledged Shares represent approximately 52.5% of the issued share capital of the Company as at the date of publication of this report.

The aforesaid Pledged Shares does not fall within the scope of Rule 17.19 of the GEM Listing Rules.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2019, so far as is known to the Directors, the following persons/entity (other than the Directors or chief executive of the Company, whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above) had interests or short positions in the Shares and the underlying Shares, which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

LONG POSITION IN THE ORDINARY SHARES OF THE COMPANY

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held	Percentage of Total Issued Shares
Hing Gut Limited (Notes 1, 2)	Beneficial Interest	210,000,000	52.5%

REPORT OF THE DIRECTORS

Notes:

1. The Company is owned as to 52.5% by Hing Gut Limited. Hing Gut Limited is owned as to 90% by Mr. Tang Hing Keung and as to 10% by Ms. Au Fung Yee. Under the SFO, Mr. Tang Hing Keung is deemed to be interested in the same number of Shares held by Hing Gut Limited. Ms. Au Fung Yee is the wife of Mr. Tang Hing Keung. Under the SFO, Ms. Au Fung Yee is deemed to be interested in the same number of Shares in which Mr. Tang Hing Keung is interested and is deemed to be interested.
2. On 8 January 2019, the Company was notified that Hing Gut Limited, a controlling shareholder of the Company, had pledged an aggregate of 210,000,000 ordinary shares in the issued share capital of the Company (the **"Pledged Shares"**) in favour of Kingston Finance Limited, an independent third party, as security for a loan provided by Kingston Finance Limited to one of the beneficial owners of Hing Gut Limited. The Pledged Shares represent approximately 52.5% of the issued share capital of the Company as at the date of publication of this report.

The aforesaid Pledged Shares does not fall within the scope of Rule 17.19 of the GEM Listing Rules.

Save as disclosed above, as at 31 March 2019, the Directors were not aware of any persons who or entities which had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME PURPOSE OF THE SHARE OPTION SCHEME

The Company's share option scheme (the **"Share Option Scheme"**) was adopted pursuant to a resolution passed on 23 February 2017 for the purpose of providing incentives or rewards to eligible persons whom the Board considers, in its sole discretion, to have contributed or will contribute to our Group.

As no share option has been granted under the Share Option Scheme since its adoption and up to 31 March 2019, there was no share option outstanding as at 31 March 2019 and no option was exercised or cancelled or lapsed during FY2019.

ELIGIBLE PARTICIPANTS OF THE SHARE OPTION SCHEME

Under the Share Option Scheme, the Board may grant options to eligible persons, including directors of the Company and members of our Group, to subscribe for the Shares. Eligible persons of the Share Option Scheme include, among others, any executive, any employee (including full-time or part-time employee), director (including an independent non-executive Director), shareholder of any member of our Group and an associate of any of the aforementioned persons (the **"Eligible Persons"**).

TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE SHARE OPTION SCHEME TOGETHER WITH THE PERCENTAGE OF THE ISSUED SHARES THAT IT REPRESENTS AS AT THE DATE OF THIS ANNUAL REPORT

The Board shall set out in the offer the terms on which the option is to be granted. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options shall be granted under the Share Option Scheme at any time if such grant shall result in the scheme limit being exceeded.

REPORT OF THE DIRECTORS

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 40,000,000 Shares (equivalent to 10% of the total number of Shares in issue as at the date of this annual report). The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT UNDER THE SHARE OPTION SCHEME

Subject to the following paragraph, the maximum number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5.0 million, such further grant of the options shall be subject to prior approval of the shareholders with such person and his associates abstaining from voting in favour at the general meeting.

Any grant of options to any Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme is subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of an option).

PERIOD WITHIN WHICH THE SHARES MUST BE TAKEN UP UNDER THE SHARE OPTION SCHEME

An offer for the grant of options must be accepted within 21 days from the day on which such offer was made.

MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD BEFORE IT CAN BE EXERCISED

Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceed a period of 10 years from the date on which the options are accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

AMOUNT PAYABLE ON ACCEPTANCE OF THE OPTION AND THE PERIOD WITHIN WHICH PAYMENTS OR CALLS MUST OR MAY BE MADE OR LOANS FOR SUCH PURPOSES MUST BE REPAYED

Options granted shall be taken up upon payment of HK\$1 as consideration for the grant of option. The payment or remittance of HK\$1.00 shall be made within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.

REPORT OF THE DIRECTORS

BASIS OF DETERMINING THE EXERCISE PRICE

The subscription price for the Shares is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer (which must be a business day); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date and (iii) the nominal value of a Share.

REMAINING LIFE OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 23 February 2017. No share options were granted, forfeited or expired during FY2019. As at the date of this annual report, there were a total of 40,000,000 Shares, representing 10% of the issued shares of the Company, available for issue under the Share Option Scheme.

CONNECTED TRANSACTIONS

Our Group has entered into two transactions with connected persons of the Company, namely (i) the transactions with Maysun Jewellery Manufacturing Company Limited with respect to the provision of registered office and correspondence address services to the Company and Hing Ming Gondola (HK) Company Limited; and (ii) the transactions with Mr. Au Cho Wah with respect to the provision of examination and testing services for suspended working platforms as a Competent Examiner to our Group. Details of such transactions are set out in the section headed "Connected Transactions" in the Prospectus. As disclosed in the Prospectus, such transactions constitute de minimis continuing connected transactions as from the Listing Date and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by our Group during FY2019 set out in note 26 to the consolidated financial statements included transaction that constitute connected or continuing connected transactions for which the disclosure requirements under Chapter 20 of the GEM Listing Rules have been complied with. Such transactions constitute de minimis continuing connected transactions as from the Listing Date and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no other transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company's holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the FY2019 or at any time during FY2019.

MANAGEMENT CONTRACTS

No contracts (except for the executive Directors' service contracts) concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2019.

REPORT OF THE DIRECTORS

COMPETING BUSINESS

During FY2019, the Directors were not aware of any business apart from the Group's business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) that had competed or might compete with the business of our Group and any other conflicts of interests which any such person had or might have with our Group except those disclosed under the section headed "Non-Competition Undertaking" below.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and our controlling shareholders, Mr. Tang Hing Keung, Ms. Au Fung Yee and Hing Gut Limited (each a "Covenantor" and collectively the "Covenantors") have entered into a deed of non-competition in favour of our Company (for itself and as trustee for and on behalf of each other member of our Group) on 27 February 2017 (the "Deed of Non-Competition"). Pursuant to the Deed of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-Competition remains effective, he/she/it shall not, and shall procure his/her/its close associates (other than any member of our Group) not to, carry on, participate in, hold, engage in, be interested in, acquire or operate, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-Competition undertaking" of the Prospectus.

The Company has received an annual written confirmation from each controlling shareholder of the Company in respect of him/her/it and his/her/its close associates in compliance with the Deed of Non-Competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate Directors' liability insurance coverage.

The relevant provisions in the Articles of Association and the Directors' liability insurance were in force during FY2019 and as at the date of this annual report.

REMUNERATION POLICY

The remuneration policy of the employees of our Group has been set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The remuneration of the Directors is recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted the Share Option Scheme as an incentive to Eligible Persons.

RETIREMENT BENEFIT SCHEME

Details of our Group's retirement benefit scheme are set out in note 19 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float throughout FY2019 and thereafter up to the date of this annual report as required under the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of our Group's turnover and purchases attributable to major customers and suppliers during FY2019 and FY2018 are as follows:

	FY2019 %	FY2018 %
Percentage of turnover		
From the largest customer	27.5	23.7
From the five largest customers in aggregate	81.6	77.2
Percentage of purchase		
From the largest supplier	38.6	45.9
From the five largest suppliers in aggregate	80.6	82.9

None of the Directors, their close associates (as defined in the GEM Listing Rules) or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued Shares) had any interest in the five largest customers nor suppliers during FY2019.

CORPORATE GOVERNANCE

Save as disclosed in this annual report, the Company had complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "CG Code") during FY2019.

Details of the principal corporate governance practices of our Group are set out in the section headed "Corporate Governance Report" on pages 28 to 41 of this annual report.

The compliance officer of the Company is Mr. Tang Ming Hei whose biographical details are set out on page 11 of this annual report.

REPORT OF THE DIRECTORS

INTERESTS OF COMPLIANCE ADVISER

As at 31 March 2019, as notified by CLC International Limited, the compliance adviser of the Company (the “**Compliance Adviser**”), except for the compliance adviser agreement dated 27 February 2017 and entered into between our Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to our Company, which were required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules.

TAX RELIEF

Our Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the Shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. Chiu Chi Wing (chairman of the Audit Committee), Mr. Kwan Woon Man Boris and Ms. Li Kai Lai Miranda. It has reviewed with the management the accounting principles and practices adopted by our Group and discussed the auditing, internal control and financial reporting matters, including review of the audited consolidated financial statements of our Group for FY2019.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2019 were audited by Baker Tilly Hong Kong Limited, who will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. Baker Tilly Hong Kong Limited has been appointed as auditor of the Company with effect from 1 March 2019 to fill the casual vacancy arising from the resignation of BDO Limited. Save for the above, there has been no other change of the auditor of the Company in the preceding three years.

On behalf of the Board

Tang Hing Keung
Hing Ming Holdings Limited
Chairman and Chief Executive Officer

Hong Kong, 21 June 2019

CORPORATE GOVERNANCE REPORT

Our Company is committed to fulfilling its responsibilities to its shareholders (the “**Shareholders**”) and protecting and enhancing Shareholders’ values through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of our Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and, save for the deviation from code provision A.2.1 of the CG Code as disclosed in this annual report, has complied with all applicable code provisions as set out in the CG Code during FY2019.

SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the required standard of dealings in the securities (the “**Required Standard of Dealings**”) as contained in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by our Company on each of the Directors, all Directors have confirmed that they had complied with the Required Standard of Dealings during FY2019.

BOARD OF DIRECTORS

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF OUR BOARD

Our Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of our Group. Our Board sets our Group’s values and standards and ensures that the requisite financial and human resources support is in place for our Group to achieve its objectives. The functions performed by our Board include but are not limited to formulating our Group’s business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing our Group’s corporate governance practices and all other functions reserved to our Board under the Articles of Association. Our Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The responsibilities of these Board committees include monitoring our Group’s operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place. Our Board may from time to time delegate certain functions to the management of our Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by our Board and assigned to it from time to time.

The Directors have full access to information of our Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company’s expense.

COMPOSITION

The Company is committed to maintaining a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors (the “**INEDs**”) so that there is a strong independent element on our Board, enabling our Board to exercise effective independent judgment.

CORPORATE GOVERNANCE REPORT

As at the date of this annual report, our Board comprises the following nine Directors, of which the non-executive Directors and the INEDs in aggregate represent over 55% of our Board members:

EXECUTIVE DIRECTORS

Mr. Tang Hing Keung (*Chairman and Chief Executive Officer*)
Mr. Lu Zhaoqing (*Vice Chairman*) (appointed on 15 March 2019)
Mr. Tang Ming Hei
Ms. Au Man Yi

NON-EXECUTIVE DIRECTORS

Ms. Au Fung Yee
Mr. Au Lop Wah Edmond

INEDs

Mr. Kwan Woon Man Boris
Mr. Chiu Chi Wing
Ms. Li Kai Lai Miranda (appointed on 9 May 2018)

The biographical details of each of the Directors are set out in the section headed “Directors and Senior Management” of this annual report.

The family relationship among the executive Directors and the non-executive Directors is as follows:

Name of Directors	Relationship with			
	Mr. Tang Hing Keung	Mr. Tang Ming Hei	Ms. Au Fung Yee	Mr. Au Lop Wah Edmond
Executive Directors				
Mr. Tang Hing Keung	—	Father	Husband	Brother-in-law
Mr. Tang Ming Hei	Son	—	Son	Nephew
Non-executive Directors				
Ms. Au Fung Yee	Wife	Mother	—	Younger sister
Mr. Au Lop Wah Edmond	Brother-in-law	Uncle	Elder brother	—

Save as disclosed aforesaid, there was no financial, business, family or other material relationship among the Directors during FY2019 and up to the date of this annual report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to our Board. Through active participation in our Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

CORPORATE GOVERNANCE REPORT

Throughout FY2019, the Company had three INEDs, meeting the requirements set out in Rules 5.05 and 5.05A of the GEM Listing Rules that the number of INEDs must represent at least one-third of our Board members, and that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules during FY2019 and up to the date of this annual report.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of our Company's operations and business and is fully aware of his/her director's responsibilities under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Each of the Directors named under the paragraph headed "Composition" above attended the training seminar arranged by the Company's Hong Kong legal advisers on directors' responsibilities before their appointments.

The Company will from time to time fund and arrange suitable training to all Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to our Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors in FY2019 is summarised as follows:

Name of Directors	Type of trainings
Mr. Tang Hing Keung	A and B
Mr. Lu Zhaoqing (appointed on 15 March 2019)	A and B
Mr. Tang Ming Hei	A and B
Ms. Au Man Yi	A and B
Ms. Au Fung Yee	A and B
Mr. Au Lop Wah Edmond	A and B
Mr. Kwan Woon Man Boris	A and B
Mr. Chiu Chi Wing	A and B
Ms. Li Kai Lai Miranda (appointed on 9 May 2018)	A and B
Mr. Tang Man Ho Michael (resigned on 9 May 2018)	A and B

A: attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on the Directors' and officers' liabilities in respect of any legal actions taken against the Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Board.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Directors can attend Board meetings in person or through other means of electronic communication in accordance with the Articles of Association. Our Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the Board meeting. To enable the Directors to be properly briefed on issues arising at each of our Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the “**Company Secretary**”) is responsible for recording and keeping all Board meetings’ minutes. Draft and final versions of the Board meetings’ minutes will be circulated to all Directors for their comments and records respectively within a reasonable time after each Board meeting and the final version is open for the Directors’ inspection.

During FY2019, ten Board meetings were held. The attendance of the respective Directors at the Board meetings during FY2019 are set out below:

Name of Directors	Attendance/Number of meetings
Executive Directors	
Mr. Tang Hing Keung	10/10
Mr. Lu Zhaoqing (appointed on 15 March 2019)	1/1
Mr. Tang Ming Hei	10/10
Ms. Au Man Yi	10/10
Non-executive Directors	
Ms. Au Fung Yee	10/10
Mr. Au Lop Wah Edmond	10/10
Independent Non-executive Directors	
Mr. Kwan Woon Man Boris	10/10
Mr. Chiu Chi Wing	10/10
Ms. Li Kai Lai Miranda (appointed on 9 May 2018)	9/9
Mr. Tang Man Ho Michael (resigned on 9 May 2018)	1/1

Apart from the above Board meetings, the chairman of our Board (the “**Chairman**”), being the chief executive officer of the Company (the “**Chief Executive Officer**”), held a meeting with all the non-executive Directors (including the INEDs) without the presence of the other executive Directors.

On 21 June 2019, the Board held a meeting to consider and approve, amongst other matters, the consolidated financial statements of the Group for FY2019 (the “**Consolidated Financial Statements**”).

BOARD DIVERSITY POLICY

During FY2019, our Board has reviewed the Board diversity policy which sets out all measurable objectives to achieve and maintain diversity on our Board to enhance effectiveness of our Board.

CORPORATE GOVERNANCE REPORT

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that our Board has a balance of skills, experiences and varying perspectives appropriate for the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of our Board members. Selection of candidates 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. Our Board considers that our Group achieved the Board diversity policy during FY2019.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Tang Hing Keung is the Chairman and the Chief Executive Officer. In view of the fact that Mr. Tang Hing Keung is one of the co-founders of our Group and has been operating and managing our Group since its establishment in 1997, all the other Directors believe that the vesting of the roles of Chairman and Chief Executive Officer in Mr. Tang Hing Keung is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, the Company has not segregated the roles of the Chairman and the Chief Executive Officer as required by the said code provision.

Mr. Tang Hing Keung provides leadership to the Company and is responsible for strategic planning and the overall management and supervision of operations of our Group.

BOARD COMMITTEES

Our Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. Our Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for our Board committees are posted on the respective websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee was established on 23 February 2017 with written terms of reference in compliance with code provision C.3 of the CG Code and Rules 5.28 to 5.33 of the GEM Listing Rules. It comprises three INEDs, namely Mr. Chiu Chi Wing, Mr. Kwan Woon Man Boris and Ms. Li Kai Lai Miranda. Mr. Chiu Chi Wing is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to our Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and handling any questions regarding their resignation or dismissal;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discussing with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging external auditors to supply non-audit services and reporting to our Board, and identifying and making recommendations on any matters where action or improvement is needed;

CORPORATE GOVERNANCE REPORT

- monitoring the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;
- discussing the risk management and internal control systems with the management to ensure that the management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by our Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing our Group's financial and accounting policies and practices;
- reviewing the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
- ensuring that our Board will provide a timely response to the issues raised in the external auditors' management letters; and
- considering other topics as defined by our Board.

The Audit Committee held five meetings during FY2019 whereat the Audit Committee, among other matters, reviewed the Group's annual consolidated financial statements, interim and quarterly reports; discussed the internal control of the Group; met with the independent external auditors and reviewed report from the independent external auditors regarding their audit on the Group's annual consolidated financial statements. Details of the attendance of members of the Audit Committee meetings during FY2019 are as follows:

Name of Members	Number of attendance/ Number of meetings
Mr. Chiu Chi Wing	5/5
Mr. Kwan Woon Man Boris	5/5
Ms. Li Kai Lai Miranda (appointed on 9 May 2018)	5/5
Mr. Tang Man Ho Michael (resigned on 9 May 2018)	N/A

On 21 June 2019, the Audit Committee held a meeting to, amongst others, review the Consolidated Financial Statements and recommend the same to be presented to the Board for consideration and approval.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 February 2017 with written terms of reference in compliance with code provision B.1 of the CG Code and Rules 5.34 to 5.36 of the GEM Listing Rules. The Remuneration Committee comprises three INEDs, namely Ms. Li Kai Lai Miranda, Mr. Kwan Woon Man Boris and Mr. Chiu Chi Wing. Ms. Li Kai Lai Miranda is the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to our Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving the management's remuneration proposals by reference to our Board's corporate goals and objectives;
- making recommendations to our Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to our Board on the remuneration of the non-executive Directors;
- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in our Group;
- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving the compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his/her associates (as defined in the GEM Listing Rules) is involved in deciding his/her own remuneration.

During FY2019, the Remuneration Committee held four meetings for, among other matters, reviewing and making recommendations to our Board for considering certain remuneration-related matters of the Directors and senior management.

The attendance of each INED at the Remuneration Committee meetings during FY2019 is as follows:

Name of INEDs	Number of attendance/ Number of meetings
Mr. Kwan Woon Man Boris	4/4
Mr. Chiu Chi Wing	4/4
Ms. Li Kai Lai Miranda (appointed on 9 May 2018)	3/3
Mr. Tang Man Ho Michael (resigned on 9 May 2018)	1/1

On 21 June 2019, the Remuneration Committee held a meeting to, amongst others, consider certain remuneration-related matters of the Directors and senior management.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established on 23 February 2017 with written terms of reference in compliance with code provision A.5 of the CG Code. It comprises three INEDs, namely Mr. Kwan Woon Man Boris, Mr. Chiu Chi Wing and Ms. Li Kai Lai Miranda. Mr. Kwan Woon Man Boris is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement the Company's corporate strategy, with due regard to the Company's board diversity policy;
- identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to our Board on the appointment or re-appointment of the Directors and the succession planning for the Directors, in particular, the Chairman and the Chief Executive Officer; and
- reviewing the Company's board diversity policy, as appropriate, and reviewing the measurable objectives that the Board has set for implementing the Company's board diversity policy.

During FY2019, the Nomination Committee held three meetings for, among other matters, reviewing the structure, size and composition of our Board, assessing the independence of the INEDs and making recommendations to our Board for considering the re-appointment of the retiring Directors at the 2018 AGM and the appointment of a new executive Director and a new INED.

The attendance of each INED at the Nomination Committee meetings during FY2019 is as follows:

Name of INEDs	Number of attendance/ Number of meetings
Mr. Kwan Woon Man Boris	3/3
Mr. Chiu Chi Wing	3/3
Ms. Li Kai Lai Miranda (appointed on 9 May 2018)	2/2
Mr. Tang Man Ho Michael (resigned on 9 May 2018)	1/1

On 21 June 2019, the Nomination Committee held a meeting to, amongst others, assess the independence of the INEDs and make recommendations to our Board for considering the re-appointment of the retiring Directors at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

Our Board is responsible for performing the corporate governance functions as set out in code provision D.3.1 of the CG Code, which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

NOMINATION PROCEDURES, PROCESS AND CRITERIA

The Nomination Committee leads the process and makes recommendations to the Board for re-election and appointment of Directors, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in light of the challenges and opportunities faced by the Group, as well as the business development and requirements of the Group. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the merit and contribution that the candidate(s) will bring to the Board, having due regard to the election criteria set out in the Nomination Policy which include, inter alia, the character and integrity; the accomplishment and experience; the commitment in respect of available time and relevant interest; the cultural and educational background, the gender, qualification, ethnicity, professional experience, skills, knowledge and length of service; the benefits of diversity on the existing Board as well as the independence of the candidate(s) (for INEDs). The Nomination Committee makes recommendation to the Board to appoint the appropriate person(s) among the candidates nominated for directorship(s). Suitable candidate(s) shall be appointed by the Board in accordance with the Articles of Association and the GEM Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing on the Listing Date or if later, the relevant appointment date.

Each of the non-executive Directors and the INEDs has entered into a letter of appointment with the Company for an initial fixed term of three years commencing on the Listing Date or if later, the relevant appointment date.

Save as disclosed aforesaid, none of the Directors has a service contract or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Principle A.4 of the CG Code stipulates that there should be a formal, considered and transparent procedure for the appointment of new Directors, and all Directors should be subject to re-election at regular intervals. All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three,

CORPORATE GOVERNANCE REPORT

the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Any Director appointed by our Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and shall be subject to re-election at such meeting and any Director appointed by our Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

By virtue of Articles 83 and 84 of the Articles of Association, Mr. Lu Zhaoqing, Mr. Tang Ming Hei, Mr. Chiu Chi Wing and Mr. Kwan Woon Man Boris will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for FY2019 are set out in note 7 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" of this annual report for FY2019 by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	1

INDEPENDENT AUDITOR'S REMUNERATION

For FY2019, Baker Tilly Hong Kong Limited ("**Baker Tilly**") was engaged as our Group's independent auditor to provide annual audit services.

The remuneration paid/payable to Baker Tilly for FY2019 is set out below:

Services	Fee paid/payable HK\$
Audit services — Annual audit	438,000
Non-audit services — Tax services	22,000
Total	460,000

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Baker Tilly has stated in the independent auditor's report its reporting responsibilities on the Consolidated Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. Our Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. Our Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Internal audit function of the Company has been carried out under the leadership of our Board and the Audit Committee.

During FY2019, our Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of our Group covering all material controls, including financial, operational and compliance as well as risk management. Our Board considers that our Group's risk management and internal control systems are adequate and effective.

DISCLOSURE OF INSIDE INFORMATION

Our Group acknowledges its responsibilities under the SFO and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- our Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- our Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- our Group has strictly prohibited unauthorised use of confidential or inside information; and
- our Group has established and implemented procedures for responding to external enquiries about our Group's affairs, so that only the executive Directors, the Company Secretary and the financial controller of the Company are authorised to communicate with parties outside our Group.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary is Ms. Lam Yuen Lan, a member of The Hong Kong Institute of Certified Public Accountants. During FY2019, the Company Secretary had duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

DIVIDEND POLICY

The Company does not have any pre-determined dividend distribution ratio. In determining the declaration and amount of dividend, the Board takes into account, among other things, the Group's earning performance, financial condition, cash flow situation and capital requirements, the availability of funds to meet the financial covenants of the Group's bank loans and any other factors that the Directors may consider relevant.

2018 AGM

The 2018 AGM was held on 17 August 2018. The Company announced the poll results of the 2018 AGM in the manner prescribed under the GEM Listing Rules. The respective chairman of the Board and the Nomination Committee has attended the AGM held on 17 August 2018 to ensure effective communication with the Shareholders. The attendance record of the Directors at the 2018 AGM is set out below:

Name of Directors	Number of general meeting attended/held
Executive Directors	
Mr. Tang Hing Keung	1/1
Mr. Lu Zhaoqing (appointed on 15 March 2019)	N/A
Mr. Tang Ming Hei	1/1
Ms. Au Man Yi	1/1
Non-executive Directors	
Ms. Au Fung Yee	1/1
Mr. Au Lop Wah Edmond	1/1
Independent Non-executive Directors	
Mr. Kwan Woon Man Boris	1/1
Mr. Chiu Chi Wing	1/1
Ms. Li Kai Lai Miranda	1/1

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing the Shareholders to make proposals or move resolutions at the AGMs under the M&A or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM

According to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to require an EGM to be called by our Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (presently Room A4, 2/F., Tsim Sha Tsui Mansion, 83-87 Nathan Road, Kowloon, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask our Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, our Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

If within 21 days of the deposit of the Requisition our Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of our Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRES TO OUR BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's head office and principal place of business in Hong Kong.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within our Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during FY2019.



TO THE SHAREHOLDERS OF HING MING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hing Ming Holdings Limited and its subsidiaries (together the "Group") set out on pages 47 to 97, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

The Key Audit Matter	How the matter was addressed in our audit
<p>Impairment of trade receivables</p> <p><i>Refer to notes 2(g)(i), 2(i) and 13 to the audited consolidated financial statements</i></p> <p>As at 31 March 2019, the Group had trade receivables of HK\$16,279,000 (2018: HK\$14,665,000) with loss allowance of HK\$1,917,000 (2018: HK\$63,000).</p> <p>Loss allowance for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.</p> <p>We identified assessing the recoverability of trade receivables as a key audit matter because the assessment of recoverability of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none">evaluating the design, implementation and operating effectiveness for key internal controls which govern credit control, debt collection and estimate of expected credit losses.assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices.assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance.reviewing subsequent settlement records and challenging management regarding their reasons for not considering a provision against any unsettled past-due balances.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2018 were audited by another independent auditor whose report dated 21 June 2018 expressed an unmodified opinion on those consolidated financial statements.

OTHER INFORMATION

The directors 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 auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Tong Wai Hang.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 21 June 2019

Tong Wai Hang

Practising certificate number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Notes	2019 HK\$'000	2018 HK\$'000 (Note)
Revenue	3	48,156	53,034
Cost of sales and services rendered		(27,437)	(25,605)
Gross profit		20,719	27,429
Other income	4	252	1,906
Administrative expenses		(10,673)	(10,354)
Profit from operation		10,298	18,981
Finance costs	5(a)	(694)	(477)
Profit before taxation	5	9,604	18,504
Income tax expense	6	(3,279)	(3,130)
Profit and total comprehensive income for the year		6,325	15,374
Earnings per share	9		
— Basic and diluted		HK1.58 cents	HK3.84 cents

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 52 to 97 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019
(Expressed in Hong Kong dollars)

	Notes	2019 HK\$'000	2018 HK\$'000 (Note)
Non-current assets			
Property, plant and equipment	11	81,135	53,265
Deposits paid for purchase of property, plant and equipment		8,399	5,165
		89,534	58,430
Current assets			
Inventories	12	2,858	3,151
Trade receivables	13	14,362	14,602
Prepayments, deposits and other receivables	14	3,008	1,958
Current tax recoverable		—	415
Cash and cash equivalents		37,583	47,623
		57,811	67,749
Current liabilities			
Contract liabilities	15	2,683	—
Trade and other payables	16	2,872	3,650
Obligations under finance leases	17	6,462	3,172
		12,017	6,822
Net current assets		45,794	60,927
Total assets less current liabilities		135,328	119,357
Non-current liabilities			
Obligations under finance leases	17	7,176	1,450
Deferred tax liabilities	18(a)	9,446	4,691
		16,622	6,141
NET ASSETS		118,706	113,216
CAPITAL AND RESERVES			
Share capital	21(a)	4,000	4,000
Reserves		114,706	109,216
TOTAL EQUITY		118,706	113,216

Approved and authorised for issue by the board of directors on 21 June 2019.

TANG Hing Keung
Director

TANG Ming Hei
Director

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 52 to 97 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Share capital HK\$'000 (note 21(a))	Share premium HK\$'000 (note 21(c)(i))	Other reserve HK\$'000 (note 21(c)(ii))	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 April 2017	4,000	63,824	6,000	24,018	97,842
Profit and total comprehensive income for the year	—	—	—	15,374	15,374
Balance at 31 March 2018 (Note)	4,000	63,824	6,000	39,392	113,216
Impact on initial application of HKFRS 9	—	—	—	(835)	(835)
Adjusted balance at 1 April 2018	4,000	63,824	6,000	38,557	112,381
Profit and total comprehensive income for the year	—	—	—	6,325	6,325
Balance at 31 March 2019	4,000	63,824	6,000	44,882	118,706

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 52 to 97 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Notes	2019 HK\$'000	2018 HK\$'000 (Note)
Operating activities			
Profit before taxation		9,604	18,504
Adjustments for:			
— Gain on disposal of property, plant and equipment, net	4	(163)	(13)
— Interest income	4	(79)	(130)
— Finance costs	5(a)	694	477
— Depreciation of property, plant and equipment	5(c)	9,145	4,576
— Impairment loss on trade receivables	5(c)	1,019	—
— Write-off of property, plant and equipment	5(c)	—	94
— Write-off of trade receivables	5(c)	—	235
Operating profit before changes in working capital		20,220	23,743
Decrease/(increase) in inventories		293	(868)
Increase in trade receivables		(1,614)	(823)
Increase in prepayments, deposits and other receivables		(1,050)	(290)
Increase in contract liabilities		2,683	—
(Decrease)/increase in trade and other payables		(778)	1,203
Cash generated from operations		19,754	22,965
Hong Kong Profits Tax refunded/(paid)		1,891	(2,336)
Net cash generated from operating activities		21,645	20,629
Investing activities			
Payment for purchase of property, plant and equipment		(22,207)	(34,144)
Proceeds from disposal of property, plant and equipment		320	120
Increase in deposits paid for purchase of property, plant and equipment		(3,234)	(5,165)
Interest received		79	130
Net cash used in investing activities		(25,042)	(39,059)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

Notes	2019 HK\$'000	2018 HK\$'000 (Note)
Financing activities		
Bank interest paid	—	(84)
Capital element of finance lease rental paid	(5,949)	(2,979)
Interest element of finance lease rental paid	(694)	(393)
Repayment of bank borrowings	—	(10,693)
Net cash used in financing activities	(6,643)	(14,149)
Net decrease in cash and cash equivalents	(10,040)	(32,579)
Cash and cash equivalents at beginning of the year	47,623	80,202
Cash and cash equivalents at end of the year	37,583	47,623

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 52 to 97 form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 COMPANY INFORMATION

Hing Ming Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 8 April 2016 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 March 2017. The registered office of the Company is located at P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Room A4, 2/F., Tsim Sha Tsui Mansion, 83–87 Nathan Road, Kowloon.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 27.

As at 31 March 2019, the directors consider the immediate parent and ultimate holding company to be Hing Gut Limited, incorporated in the British Virgin Islands (the “BVI”).

2 SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements for the year ended 31 March 2019 comprise the Company and its subsidiaries (together the “Group”).

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

A summary of the significant accounting policies adopted by the Group is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 29.

(C) CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 30).

HKFRS 9 "Financial Instruments"

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

The table below summarises the impact of transition to HKFRS 9 on retained profits at 1 April 2018.

	HK\$'000
At 31 March 2018	39,392
Recognition of additional expected credit losses on trade receivables	(835)
Adjusted balance at 1 April 2018	38,557

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

(i) **Classification of financial assets and financial liabilities**

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) at fair value through other comprehensive income and (3) at fair value through profit or loss. The classification of financial assets is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. The Group has assessed that its financial assets measured at amortised cost at 31 March 2018 continue with their classifications and measurements upon the adoption of HKFRS on 1 April 2018.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at fair value through profit or loss that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group does not have any financial liabilities designated at fair value through profit or loss and therefore this new requirement has no impact on the Group's consolidated financial statements.

(ii) **Credit losses**

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" model in HKAS 39. The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and deposits paid for purchase of property, plant and equipment). Further details on the Group's accounting policy for credit losses are set out in note 2(g)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)* (C) CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 9 “Financial Instruments” *(Continued)*

(ii) **Credit losses** *(Continued)*

The table below reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 April 2018.

	HK\$'000
Loss allowance on trade receivables at 31 March 2018 under HKAS 39	63
Additional credit loss recognised at 1 April 2018	835
Loss allowance on trade receivables at 1 April 2018 under HKFRS 9	898

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and related interpretations.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

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

(i) **Timing of revenue recognition**

Previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers, whereas provision of rental and related service was recognised on an utilisation time basis.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;
- When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

(i) **Timing of revenue recognition** *(Continued)*

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The directors consider the adoption of HKFRS 15 does not have material impact on the timing and amounts of revenue recognised in the years presented in these consolidated financial statements.

(ii) **Presentation of contract assets and liabilities**

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation regarding the balance at 1 April 2018, "customers' deposits received" of HK\$1,476,000 which was previously included in trade and other payables (see note 16) is now included under contract liabilities (see note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 15 “Revenue from Contracts with Customers” *(Continued)*

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

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

	Amounts reported in accordance with HKFRS 15 (A) HK\$’000	Hypothetical amounts under HKASs 18 and 11 (B) HK\$’000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A) — (B) HK\$’000
Line items in the consolidated statement of financial position as at 31 March 2019 impacted by the adoption of HKFRS 15:			
Contract liabilities	2,683	—	2,683
Trade and other payables	2,872	5,555	(2,683)
Line items in the consolidated statement of cash flows for the year ended 31 March 2019 impacted by the adoption of HKFRS 15:			
Increase in contract liabilities	2,683	—	2,683
(Decrease)/increase in trade and other payables	(778)	1,905	(2,683)

HK(IFRIC) 22 “Foreign Currency Transactions and Advance Consideration”

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial results of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(D) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the changes in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)(ii)).

(E) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(E) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives at the following annual rates:

Plant and machinery	10 to 15 years
Motor vehicles	5 years
Furniture and equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(F) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(F) LEASED ASSETS *(Continued)*

(iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(i) Credit losses from financial instruments

Policy applicable from 1 April 2018

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and deposits paid for purchase of property, plant and equipment).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at original effective interest rate, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs which result from possible default events over the expected lives of these financial assets. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(i) **Credit losses from financial instruments** *(Continued)*

Policy applicable from 1 April 2018 *(Continued)*

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The 12-month ECLs are losses that are expected to result from possible default events within 12 months after the end of the reporting period.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the end of the reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 1 year past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal and interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(i) **Credit losses from financial instruments** *(Continued)*

Policy applicable from 1 April 2018 *(Continued)*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an “incurred loss” model was used to measure impairment losses on financial assets not classified as at fair value through profit or loss (e.g. trade and other receivables and deposits paid for purchase of property, plant and equipment). Under the “incurred loss” model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor’s financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables, an impairment loss was recognised in profit or loss when there was objective evidence that the asset was impaired, and was measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial assets was reduced through the use of all allowance account. When any part of financial asset was determined as uncollectible, it was written off against the allowance account for the relevant financial asset.

Impairment losses were reversed in subsequent periods when an increase in the asset’s recoverable amount could be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment was reversed did not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount
The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).
- Recognition of impairment losses
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).
- Reversals of impairment losses
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in-first out method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(I) TRADE AND OTHER RECEIVABLES

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(g)(i)).

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses in accordance with the accounting policy set out in note 2(g)(i).

(K) CONTRACT LIABILITIES

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(r)). A contract liability is also recognised if the Group has unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(i)).

(L) TRADE AND OTHER PAYABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(M) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the accounting policy for borrowing costs (see note 2(t)).

(N) EMPLOYEE BENEFITS

(i) *Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Defined contribution retirement plans*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity.

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible persons as consideration for share options of the Company. The fair value of the services or goods received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options taking into account the terms and conditions upon which the options were granted. Where the counterparties have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(N) EMPLOYEE BENEFITS *(Continued)*

(iv) Termination benefits

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

(O) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) INCOME TAX *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(P) FINANCIAL GUARANTEES ISSUED

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially stated at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated) as deferred income. Thereafter, the amount of the guarantee is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s or the Company’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The Group or the Company monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in deferred income in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation). To determine ECLs, the Group or the Company considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(g)(i) apply.

As the Group or the Company is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group or the Company expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Prior to 1 April 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group or the Company under the guarantee and (ii) the amount of the claim on the Group or the Company was expected to exceed the amount carried in deferred income in respect of the guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(Q) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(R) REVENUE AND OTHER INCOME

Income is classified by the Group as revenue when it arises from the sale of goods and provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Sale of goods*

Revenue is recognised when the customer takes possession of and accepts products. In the comparative period, revenue from sale of goods was recognised when the customer had accepted the goods and the related risks and rewards of ownership.

(ii) *Rental and related service income*

Rental and related service income is recognised over time on an utilisation time basis.

(iii) *Interest income*

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

(iv) *Government grants*

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(S) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(T) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(U) RELATED PARTIES

- (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 the Group's parent.
- (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.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(U) RELATED PARTIES *(Continued)*

- (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).

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

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

(V) 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 executive directors 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 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.

3 REVENUE

Revenue represents income received and receivable from rental and related services and trading of equipment and spare parts during the year and is summarised as follows:

	2019 HK\$'000	2018 HK\$'000
Equipment installation and inspection service	11,138	15,000
Trading of equipment and spare parts	6,186	10,589
Rental income from leasing equipment and spare parts	30,832	27,445
	48,156	53,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Bank interest income	79	130
Foreign exchange gain, net	—	659
Gain on disposal of property, plant and equipment, net	163	13
Government grant	—	91
Recovery of write off of trade receivables	—	95
Service fees	—	724
Sundry income	10	194
	252	1,906

Government grant mainly represents supporting funds by Government of Hong Kong Special Administrative Region for phasing out a non van-type light goods vehicle which aged more than 16 years.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(A) FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Finance charges on obligations under finance leases	694	393
Interest on bank borrowings	—	84
	694	477

(B) STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION (NOTE 7)):

	2019 HK\$'000	2018 HK\$'000
Salaries, wages and other benefits	13,092	14,044
Contributions to defined contribution retirement plan	542	582
	13,634	14,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 PROFIT BEFORE TAXATION *(Continued)* (C) OTHER ITEMS

	2019 HK\$'000	2018 HK\$'000
Auditor's remuneration	438	600
Cost of inventories sold and material consumed	2,631	5,306
Depreciation of property, plant and equipment	9,145	4,576
Foreign exchange loss/(gain), net	619	(659)
Impairment loss on trade receivables	1,019	—
Operating lease rentals: minimum lease payments		
— storage and repairing workshop	1,296	1,252
Write-off of property, plant and equipment	—	94
Write-off of trade receivables	—	235

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(A) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 HK\$'000	2018 HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	—	798
Over-provision in respect of prior years	(1,476)	—
	(1,476)	798
Deferred tax (note 18(b))		
Origination and reversal of temporary differences	2,746	2,332
Under-provision in respect of prior years	2,009	—
	4,755	2,332
Income tax expense	3,279	3,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(A) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:
(Continued)

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2019 as the Company and subsidiaries incorporated in Hong Kong have either no assessable profits for the year or have sufficient tax losses brought forward to set off against current year's estimated assessable profits for the year.

The provision for Hong Kong Profits Tax for the year ended 31 March 2018 was calculated at 16.5% of the estimated assessable profits for the year.

Income tax from other tax jurisdictions

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in respective tax jurisdictions.

(B) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	9,604	18,504
Notional tax on profit before taxation at Hong Kong statutory tax rate	1,584	3,053
Tax effect of non-deductible expenses	282	268
Tax effect of non-taxable income	(13)	(21)
Tax effect of temporary difference not recognised	—	(300)
Tax effect of unused tax losses not recognised	1,028	150
Tax effect of utilisation of tax losses previously not recognised	(135)	—
Tax concession	—	(20)
Under-provision in respect of prior years, net	533	—
Income tax expense	3,279	3,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the GEM Listing Rules are as follows:

	Directors' fees		Salaries, allowances and benefits in kind		Discretionary bonuses		Retirement scheme contributions		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors										
Mr. Tang Hing Keung	—	—	842	824	—	—	18	17	860	841
Mr. Lu Zhaoqing (note (i))	—	—	10	—	—	—	—	—	10	—
Mr. Tang Ming Hei	—	—	361	344	—	—	18	17	379	361
Ms. Au Man Yi	—	—	360	74	—	—	18	1	378	75
Non-executive directors										
Ms. Au Fung Yee	150	150	—	—	—	—	—	—	150	150
Mr. Au Lop Wah Edmond	150	150	—	—	—	—	—	—	150	150
Independent non-executive directors										
Mr. Kwan Woon Man Boris	100	100	—	—	—	—	—	—	100	100
Mr. Chiu Chi Wing	100	100	—	—	—	—	—	—	100	100
Mr. Tang Man Ho Michael (note (ii))	11	100	—	—	—	—	—	—	11	100
Ms. Li Kai Lai Miranda (note (iii))	90	—	—	—	—	—	—	—	90	—
	601	600	1,573	1,242	—	—	54	35	2,228	1,877

Notes:

- (i) Mr. Lu Zhaoqing was appointed on 15 March 2019.
- (ii) Mr. Tang Man Ho Michael resigned on 9 May 2018.
- (iii) Ms. Li Kai Lai Miranda was appointed on 9 May 2018.

During the year ended 31 March 2019, no director waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2018: one) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2018: four) individuals are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	648	1,599
Discretionary bonuses	40	108
Retirement scheme contributions	31	51
	719	1,758

The emoluments of the two (2018: four) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HK\$Nil to HK\$1,000,000	2	4

During the year ended 31 March 2019, no emoluments were paid by the Group to any of the individuals with highest emoluments of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$6,325,000 (2018: HK\$15,374,000) and the weighted average number of 400,000,000 (2018: 400,000,000) ordinary shares in issue during the year.

As the Company does not have any potential dilutive ordinary shares during the year ended 31 March 2019 and 2018, basic and diluted earnings per share are the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 SEGMENT REPORTING

(A) SEGMENT REPORTING

The chief operating decision maker is identified as executive directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance. During the years, the executive directors have considered the only operating segment of the Group is rental and related services and trading of equipment and spare parts.

(B) GEOGRAPHICAL INFORMATION

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets.

	2019		2018	
	Revenue from external customers HK\$'000	Non-current assets HK\$'000	Revenue from external customers HK\$'000	Non-current assets HK\$'000
Hong Kong	45,738	89,534	49,105	58,430
Thailand	2,224	—	2,998	—
Macau	158	—	445	—
Others	36	—	486	—
	48,156	89,534	53,034	58,430

(C) MAJOR CUSTOMERS

Revenue from the major customers that accounted for 10% or more of the Group's total revenue is set out below:

	2019 HK\$'000	2018 HK\$'000
Customer A	N/A [#]	12,574
Customer B	15,691	12,486
Customer C	10,298	7,699
Customer D	N/A [#]	6,517
Customer E	5,625	N/A [#]
Customer F	5,591	N/A [#]

[#] The corresponding revenue did not contribute 10% or more of the total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
Cost				
At 1 April 2017	35,463	4,030	398	39,891
Additions	33,974	105	65	34,144
Disposals	(98)	(532)	—	(630)
Written off	(114)	—	(51)	(165)
Transferred to inventories	(5,962)	—	—	(5,962)
At 31 March 2018	63,263	3,603	412	67,278
At 1 April 2018	63,263	3,603	412	67,278
Additions	34,872	2,244	56	37,172
Disposals	(215)	(607)	—	(822)
Transferred to inventories	(973)	—	—	(973)
At 31 March 2019	96,947	5,240	468	102,655
Accumulated depreciation				
At 1 April 2017	11,326	2,709	254	14,289
Charge for the year	4,017	513	46	4,576
Written back on disposals	(2)	(521)	—	(523)
Written off	(37)	—	(34)	(71)
Transferred to inventories	(4,258)	—	—	(4,258)
At 31 March 2018	11,046	2,701	266	14,013
At 1 April 2018	11,046	2,701	266	14,013
Charge for the year	8,146	952	47	9,145
Written back on disposals	(58)	(607)	—	(665)
Transferred to inventories	(973)	—	—	(973)
At 31 March 2019	18,161	3,046	313	21,520
Net book value				
At 31 March 2019	78,786	2,194	155	81,135
At 31 March 2018	52,217	902	146	53,265

As at 31 March 2019, the carrying amount of the Group's plant and machinery held under finance leases was approximately HK\$28,859,000 (2018: HK\$10,102,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2019 HK\$'000	2018 HK\$'000
Inventories for resale	2,858	3,151

13 TRADE RECEIVABLES

	31 March 2019 HK\$'000	1 April 2018 HK\$'000 (Note)	31 March 2018 HK\$'000
Trade receivables	16,279	14,665	14,665
Less: loss allowance (note 22(a))	(1,917)	(898)	(63)
	14,362	13,767	14,602

Note: Upon the adoption of HKFRS 9, an opening adjustment as at 1 April 2018 was made to recognise additional ECLs on trade receivables (see note 2(c)).

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance for credit losses, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 1 month	7,040	4,385
More than 1 month but less than 3 months	2,948	4,850
More than 3 months but less than 6 months	1,783	924
More than 6 months but less than 1 year	738	2,721
More than 1 year	1,853	1,722
	14,362	14,602

Further details on the Group's credit policy are set out in note 22(a).

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Prepayments	451	621
Deposits	1,619	931
Other receivables	938	406
	3,008	1,958

The amount of deposits expected to be recovered or recognised as expenses after more than one year is HK\$266,000 (2018: HK\$268,000). All of the other receivables are expected to be recovered or recognised as expenses within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15 CONTRACT LIABILITIES

These represent billings in advance of performance under the sales contracts with customers.

	HK\$'000
Balance at 1 April 2018 (Note)	1,476
Increase in contract liabilities as a result of billing in advance of performance under sales contracts	2,175
Decrease in contract liabilities as a result of recognising revenue in respect of the contract liabilities during the year	(968)
Balance at 31 March 2019	<u>2,683</u>

Note: Upon the adoption of HKFRS 15, customers' deposits received of HK\$1,476,000 at 1 April 2018 is included in contract liabilities (see note 2(c)).

The amount of billings in advance of performance expected to be recognised as revenue within one year is HK\$2,683,000.

16 TRADE AND OTHER PAYABLES

	31 March 2019 HK\$'000	1 April 2018 HK\$'000 (Note)	31 March 2018 HK\$'000
Trade payables	100	218	218
Accrual expenses	2,772	1,956	1,956
Customers' deposits received	—	—	1,476
	2,772	1,956	3,432
	2,872	2,174	3,650

Note: Upon the adoption of HKFRS 15, customers' deposits received is included in contract liabilities (see note 2(c)).

All trade and other payables are expected to be settled within one year.

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 1 month	7	125
More than 6 months but not more than 1 year	—	93
More than 1 year	93	—
	100	218

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(Expressed in Hong Kong dollars)

17 OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2019, the Group had obligations under finance leases payable as follows:

	2019		2018	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	6,462	7,082	3,172	3,372
After 1 year but within 2 years	5,329	5,607	1,450	1,475
After 2 years but within 5 years	1,847	1,869	—	—
	7,176	7,476	1,450	1,475
	13,638	14,558	4,622	4,847
Total future interest expenses		(920)		(225)
Present value of lease obligations		13,638		4,622

All the leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. As at 31 March 2019, the Group's obligations under finance leases are guaranteed by the Company (2018: Nil).

18 DEFERRED TAX

(A) DEFERRED TAX LIABILITIES RECOGNISED

The deferred tax liabilities arising from depreciation allowance being in excess of the related depreciation and the movements during the year are as follows:

	HK\$'000
At 1 April 2017	2,359
Charged to profit or loss	2,332
At 31 March 2018 and 1 April 2018	4,691
Charged to profit or loss	4,755
At 31 March 2019	9,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 DEFERRED TAX *(Continued)*

(B) DEFERRED TAX ASSETS/LIABILITIES NOT RECOGNISED

As at 31 March 2019, the Group has not recognised deferred tax assets in respect of cumulative tax losses approximately HK\$7,773,000 (2018: HK\$2,361,000) as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation. Other unrecognised temporary differences are not material.

19 RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 23 February 2017 for the purpose of providing incentives or rewards to eligible persons whom the board of directors (the "Board") considers, in its sole discretion, to have contributed or will contribute to the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 23 February 2017.

Under the Share Option Scheme, the Board may grant options to eligible persons, including directors of the Company and members of the Group, to subscribe for the shares of the Company. Eligible persons of the Share Option Scheme include, among others, any executive, any employee (including full-time or part-time employee), director (including non-executive and independent non-executive), shareholder of any member of the Group and an associate of any of the aforementioned persons (the "Eligible Persons").

Options granted shall be taken up upon payment of HK\$1.00 as consideration for the grant of option. The payment or remittance of HK\$1.00 shall be made within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options shall be granted under the Share Option Scheme at any time if such grant shall result in the scheme limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 40,000,000 shares (equivalent to 10% of the total number of shares in issue as at the date of passing the relevant resolution in general meeting). The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

Where any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5,000,000, such further grant of the options shall be subject to prior approval of the shareholders with such person and his associates abstaining from voting in favour at the general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Any grant of options to any director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme is subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who or whose associate is the grantee of an option).

The subscription price for the shares is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer (which must be a business day); (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date and (iii) the nominal value of a share.

No share option under the Share Option Scheme was granted or outstanding during the years ended 31 March 2019 and 2018.

21 SHARE CAPITAL, DIVIDENDS AND RESERVES

(A) SHARE CAPITAL

	2019		2018	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	400,000	4,000	400,000	4,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(B) DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2019 (2018: HK\$Nil).

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21 SHARE CAPITAL, DIVIDENDS AND RESERVES *(Continued)*

(C) NATURE AND PURPOSE OF RESERVES

(i) *Share premium*

The share premium represents the amount subscribed for share capital in excess of nominal value, less of share issuing costs. Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) *Other reserve*

The other reserve of the Group represents the difference between the total equity of those subsidiaries and the aggregated share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company.

(D) DISTRIBUTABILITY OF RESERVES

As at 31 March 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$60,262,000 (2018: HK\$62,904,000), being the aggregate of the share premium and accumulated losses of the Company.

(E) CAPITAL MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity attributable to equity shareholders of the Company as capital. The amount of capital as at 31 March 2019 and 2018 amounted to approximately HK\$118,706,000 and HK\$113,216,000 respectively.

The Group's overall strategy remained unchanged during the year.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(A) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group had a concentration of credit risk as 43% (2018: 23%) and 79% (2018: 77%) of total trade receivables due from the largest customer and five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past payment history, financial position and other factors. Trade receivables are due within 30 days from the billing date or based on the terms agreed in the sale and rental agreements.

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

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

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Current (not past due)	0.04%	7,033	(2)	7,031
Less than 1 month past due	0.08%	2,982	(2)	2,980
1 to 3 months past due	0.16%	1,666	(3)	1,663
4 to 6 months past due	0.32%	293	(1)	292
More than 6 months but less than 1 year past due	0.63%	591	(4)	587
More than 1 year but less than 2 years past due	50.00%	3,619	(1,810)	1,809
More than 2 years past due	100.00%	95	(95)	—
		16,279	(1,917)	14,362

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(A) CREDIT RISK *(Continued)*

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(g)(i) — policy applicable prior to 1 April 2018). As at 31 March 2018, trade receivables of HK\$63,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivable was expected to be recovered. Consequently, specific loss allowance was recognised.

The ageing analysis of trade receivables that were neither individually nor collectively considered to be impaired as at 31 March 2018 were as follows:

	HK\$'000
Current (not past due)	4,371
Less than 1 month past due	3,783
1 to 3 months past due	1,101
4 to 6 months past due	1,960
More than 6 months but less than 1 year	1,669
More than 1 year	1,718
	<u>14,602</u>

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

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

Movement in loss allowance in respect of trade receivables:

	HK\$'000
Balance at 1 April 2017 and 31 March 2018 under HKAS 39	63
Additional credit loss recognised at 1 April 2018	835
	<u>898</u>
Balance at 1 April 2018 under HKFRS 9	898
Impairment losses recognised during the year	1,019
	<u>1,917</u>
Balance at 31 March 2019 under HKFRS 9	1,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(B) LIQUIDITY RISK

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

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2019				
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Trade payables	100	100	100	—	—
Accrual expenses	2,772	2,772	2,772	—	—
Obligations under finance leases	13,638	14,558	7,082	5,607	1,869
	16,510	17,430	9,954	5,607	1,869

	2018				
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Trade payables	218	218	218	—	—
Accrual expenses	1,956	1,956	1,956	—	—
Obligations under finance leases	4,622	4,847	3,372	1,475	—
	6,796	7,021	5,546	1,475	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(C) INTEREST RATE RISK

The Group's interest rate risk arises primarily from cash and cash equivalents and obligations under finance leases. Borrowings issued at fixed rate and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's interest-earning financial assets and interest-bearing financial liabilities at the end of the reporting period.

	2019		2018	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
	%		%	
Fixed rate deposits/(borrowings):				
Bank deposits	1.67–1.68	20,000	0.65	20,050
Obligations under finance leases	6.19–6.28	(13,638)	6.28	(4,622)
Variable rate deposits:				
Bank deposits	0.01	17,583	0.01	27,573
Net deposits		23,945		43,001

(ii) *Sensitivity analysis*

As at 31 March 2019 and 2018, it is estimated that a general increase/decrease of 10 basis points in interest rates, with all other variables held constant, would have no significant impact on the Group's profit after tax and retained profits for the year.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 10 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2018.

(D) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(D) FOREIGN CURRENCY RISK *(Continued)*

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Euro ("EUR") and United States dollars ("USD"). The Group does not hold or issue material derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the operations to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

	2019 Denominated in		2018 Denominated in	
	EUR HK\$'000	USD HK\$'000	EUR HK\$'000	USD HK\$'000
Deposits paid for purchase of property, plant and equipment	6,162	2,237	—	287
Trade and other receivables	1,380	57	1,159	887
Cash and cash equivalents	2,111	1,354	7,847	223
Contract liabilities	(633)	—	—	—
Trade and other payables	—	(3)	(81)	(3)
Net exposure arising from recognised assets/(liabilities)	9,020	3,645	8,925	1,394

The following table indicates that the instantaneous change in the Group's profit after tax (and retained profits) that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2019 Increase/ (decrease) Effect on profit in foreign after tax and exchange rates retained profits HK\$'000		2018 Increase/ (decrease) Effect on profit in foreign after tax and exchange rates retained profits HK\$'000	
	EUR	5%	377	5%
	(5%)	(377)	(5%)	(373)
USD	5%	152	5%	58
	(5%)	(152)	(5%)	(58)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(D) FOREIGN CURRENCY RISK *(Continued)*

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of the financial year and held constant throughout the year. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

A reasonable change in foreign exchange rates for EUR and USD in the next twelve months is assessed to result in immaterial change in the Group's profit after tax, retained profits and other components of equity.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions denominated in foreign currency. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

(E) CATEGORIES OF FINANCIAL INSTRUMENTS

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	—	68,768
Financial assets at amortised cost	62,901	—
	62,901	68,768
Financial liabilities		
Financial liabilities measured at amortised cost	16,510	6,796

(F) FAIR VALUE MEASUREMENT

The carrying amounts of financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 CASH FLOW INFORMATION

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

	Bank borrowings HK\$'000	Finance leases HK\$'000 (note 17)	Total HK\$'000
At 1 April 2017	10,693	7,601	18,294
Changes from financing cash flows:			
Repayment of bank borrowings	(10,693)	—	(10,693)
Capital element of finance lease rentals paid	—	(2,979)	(2,979)
Interest element of finance lease rentals paid	—	(393)	(393)
Interest on bank borrowings	(84)	—	(84)
Total changes from financing cash flows	(10,777)	(3,372)	(14,149)
Other changes:			
Finance charges on obligations under finance leases (note 5(a))	—	393	393
Interest expenses (note 5(a))	84	—	84
Total other changes	84	393	477
At 31 March 2018 and 1 April 2018	—	4,622	4,622
Changes from financing cash flows:			
Capital element of finance lease rentals paid	—	(5,949)	(5,949)
Interest element of finance lease rentals paid	—	(694)	(694)
Total changes from financing cash flows	—	(6,643)	(6,643)
Other changes:			
Additions	—	14,965	14,965
Interest expenses (note 5(a))	—	694	694
Total other changes	—	15,659	15,659
At 31 March 2019	—	13,638	13,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 OPERATING LEASE COMMITMENTS

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

	2019 HK\$'000	2018 HK\$'000
Within 1 year	972	1,296
After 1 year but within 5 years	—	972
	972	2,268

The Group is the lessee in respect of storage and repairing workshops held under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

25 CONTINGENT LIABILITIES

As at 31 March 2019, the Company issued corporate guarantee to a subsidiary in respect of the plant and machinery under finance leases at 6.19%–6.28% per annum (2018: Nil) with the carrying amount of approximately HK\$13,638,000 (2018: HK\$Nil).

26 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	2,440	2,099
Retirement scheme contributions	66	51
	2,506	2,150

Total remuneration is included in "staff costs" (see note 5(b)).

Save as disclosed above and elsewhere in these consolidated financial statements, the Group did not have any material related party transactions during the years ended 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 SUBSIDIARIES

Details of the subsidiaries as at 31 March 2019 and 2018 are as follows:

Name of company	Place of incorporation and registration	Particulars of issued and paid-up share capital/registered capital	Proportion of Group's ownership interest		Principal activities
			2019	2018	
<i>Directly held by the Company</i>					
Trend Novel Limited	BVI	1 share of US\$1	100%	100%	Investment holding
Hengchuang Changyuan International Limited	BVI	10,000 shares of US\$1 each	100%	—	Dormant
<i>Indirectly held by the Company</i>					
Hing Ming Gondola (HK) Company Limited	Hong Kong	6,000,000 shares (HK\$6,000,000)	100%	100%	Trading, installation and renting of suspended working platforms and other construction equipments
Hing Ming Equipment Company Limited	Hong Kong	1 share (HK\$1)	100%	100%	Construction consulting and project management
Hing Ming Construction Equipment Company Limited	Hong Kong	1 share (HK\$1)	100%	100%	Construction consulting and project management
Hongkong Hengchuang Xiangrong Limited	Hong Kong	10,000 shares (HK\$10,000)	100%	—	Dormant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 FINANCIAL INFORMATION OF THE COMPANY (A) STATEMENT OF FINANCIAL POSITION

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Investments in subsidiaries	78	—
Current assets		
Prepayments	34	41
Cash and cash equivalents	12,204	22,445
Amounts due from subsidiaries	52,267	44,652
	64,505	67,138
Current liabilities		
Other payables	243	234
Amount due to a subsidiary	78	—
	321	234
Net current assets	64,184	66,904
NET ASSETS	64,262	66,904
CAPITAL AND RESERVES		
Share capital	4,000	4,000
Reserves	60,262	62,904
TOTAL EQUITY	64,262	66,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

(B) DETAILS OF CHANGES IN THE COMPANY'S RESERVES DURING THE YEAR:

	Share premium HK\$'000 (note 21(c)(i))	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2017	63,824	(154)	63,670
Loss and total comprehensive loss for the year	—	(766)	(766)
Balance at 31 March 2018 and at 1 April 2018	63,824	(920)	62,904
Loss and total comprehensive loss for the year	—	(2,642)	(2,642)
Balance at 31 March 2019	63,824	(3,562)	60,262

29 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(I) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(II) LOSS ALLOWANCES FOR TRADE AND OTHER RECEIVABLES

The Group estimates the loss allowances for trade and other receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed.

(III) INCOME TAX PROVISION

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

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

HKFRS 16	Leases ¹
HK(IFRIC) 23	Uncertainty over income tax treatments ¹

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

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them will not have a significant impact on the Group's financial position and performance. Further details of adoption of HKFRS 16 are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019 *(Continued)*

HKFRS 16 is not expected to impact significantly on the way that lessors account for their right and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will be required to account for all leases of more than 12 months in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019, if necessary, and will not restate the comparative information. As disclosed in note 24, the Group's future minimum lease payments under non-cancellable operating leases for storage and repairing workshop amounted to HK\$972,000 as at 31 March 2019, which is payable within 1 year after the end of the reporting period. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK\$947,000, after taking account the effects of discounting, as at 1 April 2019.

31 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

FIVE YEARS' FINANCIAL SUMMARY

	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Results					
Revenue	48,156	53,034	44,867	45,017	44,455
Profit before taxation	9,604	18,504	5,612	12,002	12,131
Income tax expense	(3,279)	(3,130)	(2,800)	(2,440)	(2,299)
Profit and total comprehensive income for the year	6,325	15,374	2,812	9,562	9,832
Assets and Liabilities					
Total assets	147,345	126,179	122,065	47,861	33,500
Total liabilities	(28,639)	(12,963)	(24,223)	(20,655)	(15,856)
	118,706	113,216	97,842	27,206	17,644