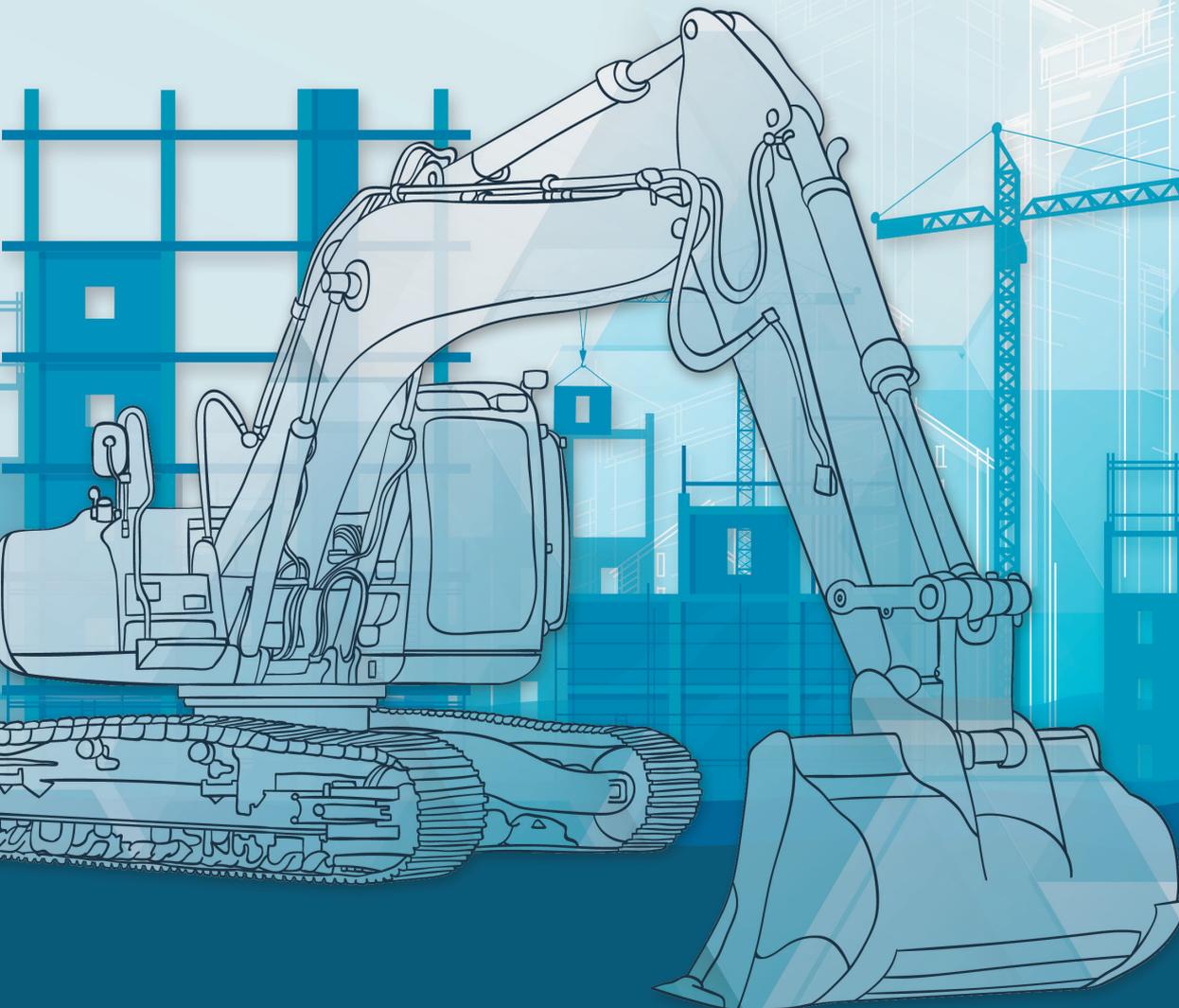


Wing Chi Holdings Limited 榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

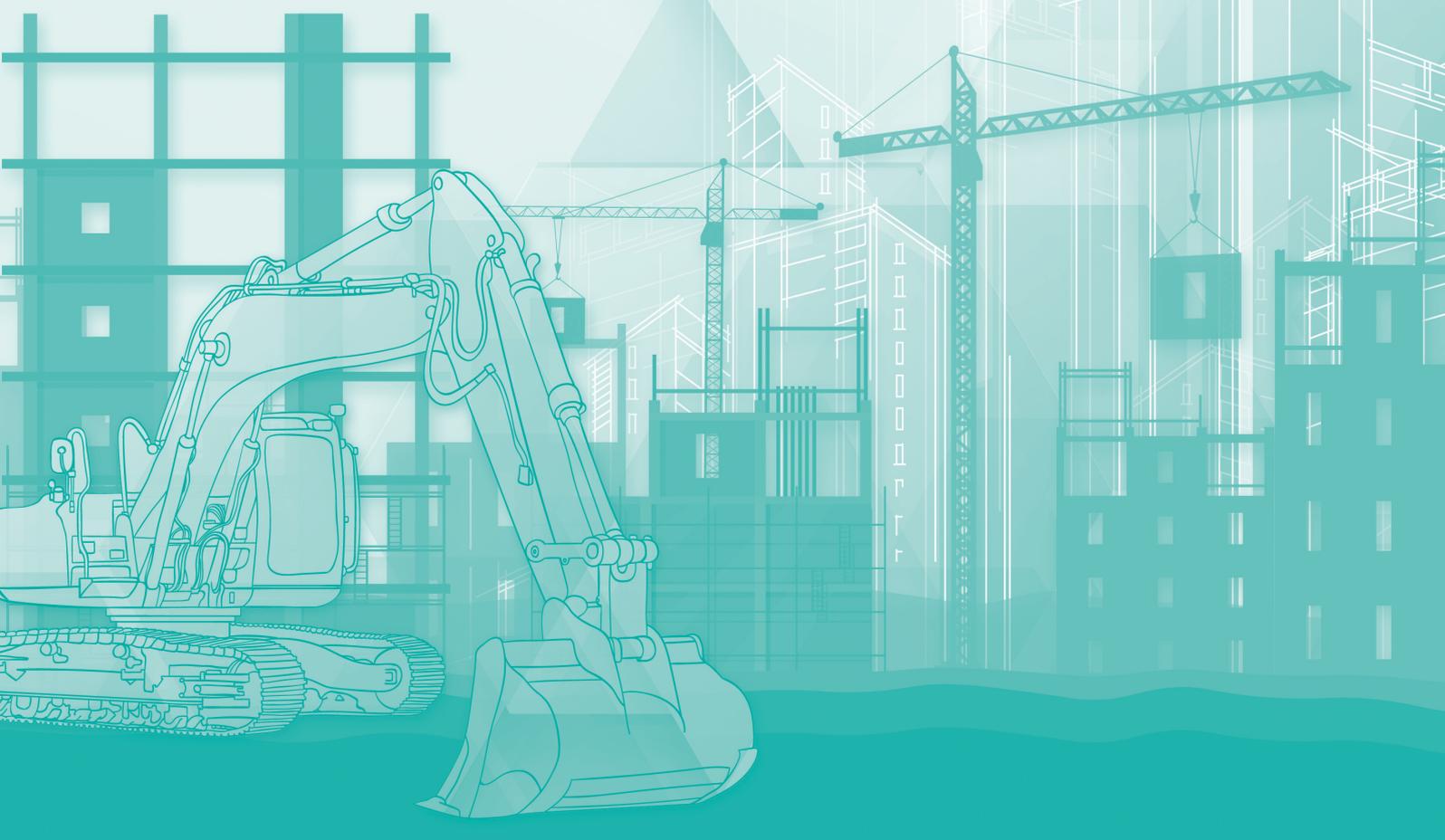
Stock Code: 6080

ANNUAL REPORT
2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Cheuk Kam (*Chairman and Chief Executive Officer*)

Mr. Li Wai Fong

Non-executive Director

Mr. Poon Wai Kong

Independent Non-executive Directors

Mr. Wong Chik Kong

Mr. Chan Chung Kik, Lewis

Mr. Lee Kwok Lun

AUDIT COMMITTEE

Mr. Chan Chung Kik, Lewis (*Chairman*)

Mr. Wong Chik Kong

Mr. Lee Kwok Lun

NOMINATION COMMITTEE

Mr. Li Cheuk Kam (*Chairman*)

Mr. Chan Chung Kik, Lewis

Mr. Wong Chik Kong

Mr. Lee Kwok Lun

REMUNERATION COMMITTEE

Mr. Wong Chik Kong (*Chairman*)

Mr. Chan Chung Kik, Lewis

Mr. Lee Kwok Lun

Mr. Li Cheuk Kam

COMPANY SECRETARY

Ms. Li Mei Wai

AUTHORISED REPRESENTATIVES

Mr. Li Cheuk Kam

Ms. Li Mei Wai

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Services (Cayman) Limited

71 Fort Street, PO Box 500

George Town

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54 Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANK

Nanyang Commercial Bank, Ltd.

AUDITORS

SHINEWING (HK) CPA Limited

Certified Public Accountants

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TC & Co.

Solicitors, Hong Kong

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Wanchai

Hong Kong

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www.wingchiholdings.com

STOCK CODE

6080

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Wing Chi Holdings Limited (the “**Company**”, which, together with its subsidiaries, is referred to as the “**Group**”), I am delighted to report the annual results of the Group for the year ended 31 March 2022.

The Group is a Hong Kong based subcontractor principally engaged in foundation and site formation works. For the year ended 31 March 2022, the Group recorded revenue of approximately HK\$421.1 million, representing a slight increase of approximately 2.3% as compared to that of approximately HK\$411.8 million for the year ended 31 March 2021. The Group recorded a significant increase in the profit attributable to shareholders of the Company (the “**Shareholders**”) for the year ended 31 March 2022 of approximately HK\$4.4 million as compared to that loss attributable to shareholders of the Company of approximately HK\$46.4 million for the year ended 31 March 2021. Moreover, the gross profit margin of the Group for the year ended 31 March 2022 has improved substantially mainly due to the successful implementation of tight cost control measures on existing projects and the fact that most of the loss projects have been completed in the last years. Therefore, the profit margin of our project works has improved significantly.

According to the 2022–23 Land Sales Programme, the Hong Kong SAR Government planned to sell 13 residential sites and 4 commercial sites which can be developed into approximately 8,250 residential units and 300,000 square meters of gross floor area respectively, suggesting that the demand for site formation and foundation works in the public and the private sectors remain important and in demand. In addition, there are many public construction plans in Hong Kong such as the private development/redevelopment projects and the 430,000 units of estimated supply of housing in the long term housing target for the ten-year period from 2021–22 to 2030–2031 suggested by the Transport and Housing Bureau in December 2020. In view of this, the Directors remain positive for the construction industry. The Group will continue to monitor the market closely and respond to changes in market conditions. The Group will continue to improve its competitiveness in the market by continuing to provide quality work to the customers.

In view of the outbreak of the COVID-19 pandemic, economic uncertainty and challenging market with keen competition in the foundation and site formation market still affecting the development of the construction industry, the Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of work-flow throughout the construction process, and strengthen the effectiveness of project management. The Group will also continue to actively devote its efforts to facilitate the prevention and control of further spreading of the COVID-19 pandemic in its premises and construction sites and to ensure the health and safety of its employees.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, suppliers, subcontractors, other business partners and our Shareholders for their continuous support. I would like to also thank the management team and my fellow staff members for their continuous trust and support.

Li Cheuk Kam

Chairman

Hong Kong, 24 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the consolidated annual results of the Group for the year ended 31 March 2022 together with the corresponding year ended 31 March 2021.

BUSINESS REVIEW AND OUTLOOK

The Company is an investment holding company. The principal activities of its subsidiaries include foundation and site formation works for both the public and the private sectors in Hong Kong. The foundation and site formation works provided by the Group can be broadly classified as (i) excavation and lateral support (“**ELS**”) works and (ii) pile caps construction and site formation works for both public and private sector projects. To a lesser extent, the Group also leased some of its machineries.

Apart from acting as a subcontractor in foundation and site formation works, the Group has actively sought to enlarge its scope of work in the construction industry. The Group not only focuses in acting as a subcontractor but also aims to act as a foundation main contractor in the future. The Group’s principal operating subsidiary, Lik Shing Engineering Company Limited, has registered under the Construction Industry Council as a registered subcontractor and has registered under the Buildings Department as a registered specialist contractor in the foundation works category since May 2008 and December 2019 respectively.

During the year ended 31 March 2022, the Hong Kong economy has gradually improved. The HKSAR Government continues to invest in infrastructure and housing to boost the economy which increases the potential development opportunities in the construction industry.

The Directors opined that there are uncertainty in the Hong Kong economy and the severe competition in the foundation and site formation market will continue to affect the development of the Group. The Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of workflow throughout the construction process, and strengthen the effectiveness of project management. The Group will also continue to actively devote its efforts to facilitate the prevention and control of further spreading of the COVID-19 pandemic in its premises and construction sites and to ensure the health and safety of its employees.

FINANCIAL REVIEW

During the year ended 31 March 2022, the Group had been awarded 20 new contracts, with an aggregate original contract sum of approximately HK\$296.1 million and had completed 31 projects with an aggregate original contract sum of approximately HK\$434.2 million. As at 31 March 2022, the Group had 21 projects on hand which include projects in progress as well as projects that have been awarded to us but not yet commenced. As at 31 March 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$390.5 million (2021: approximately HK\$428.2 million). This amount represents the revenue from construction contracts that is expected to be recognised in the future.

Revenue

The revenue from the foundation and site formation works of the Group for the year ended 31 March 2022 amounted to approximately HK\$410.9 million, representing an increase of approximately HK\$11.3 million, or 2.8% as compared to that of approximately HK\$399.6 million for the year ended 31 March 2021. There is no significant variance in revenue from the foundation and site formation works during the year.

The revenue from machinery leasing for the year ended 31 March 2022 amounted to approximately HK\$10.2 million, representing a decrease of approximately HK\$2.0 million, or 16.4% as compared to that of approximately HK\$12.2 million for the year ended 31 March 2021. This amount represents the revenue derived from the leasing of the Group’s machinery to contractors and/or subcontractors under operating leases. The decrease is primarily due to the fact that more resources have been allocated to the foundation and site formation works.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The gross profit of the Group for the year ended 31 March 2022 amounted to approximately HK\$29.6 million, as compared to a gross loss of approximately HK\$29.6 million for the year ended 31 March 2021. The gross profit margin of the Group during the year ended 31 March 2022 was approximately 7.0%, compared to the gross loss margin of approximately 7.2% for the year ended 31 March 2021.

The significant improvement in the gross profit margin is mainly attributable to (i) the Group has been engaged in the construction of community isolation and treatment facilities for the Hong Kong SAR Government that generated approximately HK\$47.8 million in revenue for the year ended 31 March 2022 (Nil for the year ended 31 March 2021); (ii) enhancement in the bargaining power of the Group in its negotiation with customers on the construction workdone with the gradual improvement in the Hong Kong economy and (iii) reduction in the construction cost of the Group following the implementation of cost control measures.

The Group prices its services based on various factors, among others, the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group. On the other hand, the Group prices its leasing machinery based on the procurement cost and the expected profit margin.

Other Income

The other income of the Group for the year ended 31 March 2022 amounted to approximately HK\$2.6 million, representing a decrease of approximately HK\$3.0 million or 53.6% as compared to that of approximately HK\$5.6 million for the year ended 31 March 2021. The amount of other income during the year ended 31 March 2022 mainly represents the income generated from the disposal of plants and equipment of approximately HK\$2.0 million.

The significant decrease is primarily due to the fact that during the year ended 31 March 2021, the Company has received (i) a subsidy of approximately HK\$4.1 million from the Employment Support Scheme (“**ESS**”) and (ii) a one-off Subsidy for Transport Trade of approximately HK\$0.1 million under the Anti-epidemic Fund set up by the Hong Kong SAR Government as part of the relief measures on the COVID-19 pandemic. However these subsidies are not available for the year ended 31 March 2022. Moreover, a sum of approximately HK\$0.6 million subsidy from the Construction Innovation and Technology Fund set up by the Hong Kong SAR Government to support the adoption of new technology in the construction industry was recognised during the year ended 31 March 2021 (31 March 2022: nil).

During the year ended 31 March 2022, cash subsidies of approximately HK\$2,000 (2021: Nil) have been received from the Small and Medium-sized Enterprises Financing Guarantee Scheme (“**SFGS**”) under the Anti-epidemic Fund which was set up by the Hong Kong SAR Government to support the Company in obtaining financing in the commercial lending market.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 March 2022 amounted to approximately HK\$25.8 million, representing an increase of approximately HK\$4.0 million or 18.3% as compared to that of approximately HK\$21.8 million for the year ended 31 March 2021. The administrative expenses mainly comprised of professional expenses, salaries costs and depreciation expenses. The increase was primarily due to the increase of salaries costs during the year ended 31 March 2022.

Finance Costs

The finance costs of the Group for the year ended 31 March 2022 amounted to approximately HK\$0.4 million, representing a decrease of approximately HK\$0.1 million or 20.0% as compared to that of approximately HK\$0.5 million for the year ended 31 March 2021. There is no significant variance on finance costs during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

The income tax expenses of the Group for the year ended 31 March 2022 amounted to approximately HK\$1.6 million, representing an increase of approximately HK\$1.5 million or 1,500.0% as compared to that of approximately HK\$0.1 million for the year ended 31 March 2021. The income tax expense represents the net effect on the movement of deferred tax expenses and Hong Kong income tax expense. The increase was mainly due to the significant increase in deferred tax expenses recognised during the year ended 31 March 2022.

Profit/(Loss) attributable to owners of the Company

The Group reported a net profit attributable to owners of approximately HK\$4.4 million for the year ended 31 March 2022 as compared to a loss attributable to owners of approximately HK\$46.4 million for the year ended 31 March 2021. The improvement in net profit attributable to owners of the Company is mainly attributable to the increase in gross profit during the year.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, and cash inflows from operating activities.

As at 31 March 2022, the Group had total assets of approximately HK\$215.0 million (2021: approximately HK\$217.8 million), of which current assets amounted to approximately HK\$161.9 million (2021: approximately HK\$169.3 million).

As at 31 March 2022, the Group had total liabilities of approximately HK\$97.7 million (2021: approximately HK\$104.9 million), of which current liabilities amounted to approximately HK\$89.0 million as at 31 March 2022 (2021: approximately HK\$98.6 million). As at 31 March 2022, the Group had total equity attributable to owners of the Company amounted to approximately HK\$117.3 million (2021: approximately HK\$112.9 million).

As at 31 March 2022, the Group had total bank balances and cash of approximately HK\$25.4 million (2021: approximately HK\$38.8 million). The decrease in bank balances and cash was mainly due to the application of approximately HK\$13.4 million by the Group in its operation and in investing and financing activities.

As at 31 March 2022, the Group had total debts of approximately HK\$8.2 million which include lease liabilities and bank borrowings (2021: approximately: HK\$8.4 million) denominated in Hong Kong dollars. The gearing ratio of the Group, calculated by the total debts (defined as the sum of the lease liabilities and bank borrowings) divided by the total equity is approximately 7.0% (2021: approximately 7.5%).

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 31 March 2022, the Group's right-of-use assets with an aggregate net book value of approximately HK\$7.3 million (2021: approximately HK\$9.0 million) were pledged under finance leases.

An investment property of approximately HK\$7.7 million was pledged to secure banking facilities granted to the Group as at 31 March 2021 (31 March 2022: nil). This investment property has been disposed of on 4 October 2021, and details of the disposal have been disclosed in the announcement of the Company dated 7 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollars, the Board is of the view that the Group's foreign exchange rate risks are insignificant.

Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the year ended 31 March 2022.

RISKS AND UNCERTAINTIES

The Group's operation is subject to the general economic environment and market risks which may affect our business performance. The Group believes that there are certain risks involved in our business and operations which can be summarised as follows:

Business risks

The Group's revenue is mainly derived from foundation and site formation works which are not recurring in nature and any decrease in the number of construction projects awarded would affect the Group's operational and financial results. In addition, the Group determines the price of tenders for construction projects based on the estimated time and costs involved in the construction project concerned, and the actual time and costs incurred may exceed our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results.

The Group is involved in certain construction litigation and disputes which may adversely affect the Group's financial performance and reputation. On the other hand, the Group's liquidity position may be affected by delays or defaults of progress payments of retention monies by customers which would adversely affect the Group's cash flows or financial results.

Industry and market risks

The construction industry is highly competitive. There are a significant number of industry players who provide similar services as ours. The Group is also facing changes in existing laws, regulations and the Hong Kong SAR Government policies which include the introduction of more stringent laws and regulations on environment protection and labour safety which may cause the Group to incur substantial additional revenue expenditure.

All of the Group's revenue was derived in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on the construction industry in general, the Group's overall business and results of operations may be materially and adversely affected. The state of the political environment in Hong Kong may adversely affect the Group's performance and financial condition.

Construction machineries are regulated by the rules and regulations imposed by the Environmental Protection and Labour Department of the Hong Kong SAR Government. New legal challenges and policies could be released due to the change of environmental and social issues. Such changes will lead to an increase in the cost for the Group. In light of such potential risk, we have acquired environmental-friendly machineries to replace the old ones to meet the environmental protection requirements and to protect public health.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material respects with the applicable laws and regulations that have a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

To maintain continuous growth of the business operation, the Group recognises that employees, customers and suppliers are the keys to its sustainable development. The Group maintains a good relationship with its employees, customers and suppliers.

Employees

The Group recognises that employees as valuable assets for the delivery of quality services and works to its customers. Therefore, the Group provides a comprehensive and competitive remuneration package, builds a stable workforce and cultivates a harmonious workplace to attract, motivate and retain appropriate and suitable employees to serve the Group.

The Group has implemented a performance appraisal system with appropriate incentives to motivate and reward employees at all levels. In addition, the Group recognises the importance of enriching the knowledges and skills of our employees for sustainable business development. Thus, the Group provides appropriate on-the-job-training and development opportunities in order to attain the employees' best performance.

Customers

The Group endeavours to maintain a good and long-term business relationship with customers by delivering our quality services to satisfy their needs. Hence, the Group regularly engages with customers through a variety of communication channels, such as regular reviews and analysis on customer feedback to understand customers' needs and expectations.

All feedback collected are valued by management and are reviewed and duly considered in the decision-making processes.

Suppliers and sub-contractors

The Group maintains stable working relationships with suppliers and sub-contractors in order to ensure that good quality of works and services will be provided to the Group. The Group's management conducts periodic performance reviews with suppliers and sub-contractors. When selecting major suppliers and sub-contractors, the Group will perform an analysis on the ability of the suppliers and sub-contractors such as the quality of products or services, delivery schedules, experience, track record, financial history and reputation.

CAPITAL EXPENDITURE

During the year ended 31 March 2022, the Group invested approximately HK\$26.9 million (31 March 2021: approximately HK\$20.2 million) on the acquisition of machineries and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by finance leases, internal resources and proceeds from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 October 2017 (the "**Listing**").

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in this annual report, the Group had no material capital commitments or contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 March 2022 and up to the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2022, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2022, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31 March 2022, the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed a total of 363 employees (including Executive Directors, Non-executive Director and Independent Non-executive Directors), as compared to a total of 319 employees as at 31 March 2021. The significant increase in the number of employees was mainly due to the fact that we have conducted projects which are labour intensive as at 31 March 2022. Total staff costs which include Directors' emoluments for the year ended 31 March 2022 was approximately HK\$116.8 million (31 March 2021: approximately HK\$104.5 million). The increase in staff costs was mainly due to the fact that more employees were employed in construction works as a result of the reduction of the amount of subcontract works granted by the Group during the year ended 31 March 2022.

The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts an annual review on salary increases, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors of the Company are decided by the Board after recommendation from the Remuneration Committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Appendix V to the Prospectus.

During the year ended 31 March 2022, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE LISTING

The net proceeds of the share offer received by the Company in relation to the Listing and full exercise of the over-allotment option on 7 November 2017 were approximately HK\$103.9 million in aggregate, after deducting listing related expenses (the “**Net Proceeds**”). The Board considers that these Net Proceeds have been applied in accordance with the proposed applications set out in the paragraph headed “Future plans and use of proceeds” in the Prospectus dated 30 September 2017 published by the Company (the “**Prospectus**”) and the announcement of the Company dated on 9 August 2021. The following table sets out the applications and the revised allocation for the use of Net Proceeds and usage as at 31 March 2022:

	Original planned use of Net Proceeds HK\$' million	Revised allocation for use of Net Proceeds HK\$' million	Actual usage from the Listing as at 31 March 2021 HK\$' million	Actual usage during the year ended 31 March 2022 HK\$' million	Actual usage up to 31 March 2022 HK\$' million	Unutilised amount of Net Proceeds as at 31 March 2022 HK\$' million
Acquire new machinery and equipment	40.6	46.2	40.6	5.6	46.2	–
Reserve more capital to satisfy the potential requirement for surety bond	31.3	25.7	25.7	–	25.7	–
Strengthen the manpower	23.1	23.1	23.1	–	23.1	–
General working capital	8.9	8.9	8.9	–	8.9	–
Total	103.9	103.9	98.3	5.6	103.9	–

The Net Proceeds raised by the Group have been fully utilised as at 31 March 2022 in the manner consistent with that mentioned in the Prospectus and the announcement of the Company dated on 9 August 2021.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend to Shareholders of the Company for the year ended 31 March 2022.

FUTURE PROSPECTS

The global economic downturn due to the outbreak of the COVID-19 pandemic had affected business confidence. Fortunately, the adverse impact on the foundation and site formation market in Hong Kong is relatively low. The Group will continue to focus on improving cost control measures on projects, strengthening project management teams and increasing our production efficiency. Moreover, according to the 2022–23 Annual Land Sales Programme, the Hong Kong SAR Government planned to sell 13 residential sites and 4 commercial sites which can be developed into approximately 8,250 residential units and 300,000 square meters of gross floor area respectively, suggesting that the demand for site formation and foundation works in the public and the private sectors remain important and in demand. Therefore, the Group is confident that the construction industry in Hong Kong will remain positive in the future.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LI Cheuk Kam (李灼金) (“Mr. Li”), aged 55, was appointed as a Director of the Company on 13 March 2017 and redesignated as an Executive Director and appointed as the Chairman of the Board of Directors and the Chief Executive Officer of the Company on 25 May 2017. He is one of the controlling shareholders, the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Li is the founder of the Group. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Li has over 37 years of experience in the construction industry in Hong Kong. He is primarily responsible for the overall business development strategy and for overseeing day-to-day management of site operations of the Group. Mr. Li is the brother of Mr. Li Wai Fong, the Executive Director. For Mr. Li's interest in the Shares within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), please refer to the section headed “Directors’ Report” in this annual report.

Mr. LI Wai Fong (李偉芳) (“Mr. Li WF”), aged 47, was appointed as an Executive Director of the Company on 25 May 2017. He joined the Group as the Administration Manager in May 2014 and is primarily responsible for overseeing the administration matters of the Group.

Mr. Li Wai Fong obtained a Bachelor of Engineering Degree majoring in Automation in June 1999. Mr. Li WF has over 20 years of experience in management and sales and marketing. Mr. Li WF is the brother of Mr. Li, the Chairman of the Board, Chief Executive Officer of the Company and an Executive Director.

NON-EXECUTIVE DIRECTOR

Mr. POON Wai Kong (潘偉剛) (“Mr. Poon”) was appointed as a Non-executive Director of the Company on 12 October 2018. Mr. Poon, aged 50, has over 30 years of experience in the accounting and financial industry. He obtained a Bachelor's Degree in Economics from the University of London, United Kingdom in August 1995 and a Master's Degree in Practising Accounting from the Monash University, Australia in September 1998. He also held a Master's Degree in Business Administration and a Master's Degree in Professional Accounting and Corporate Governance from the City University of Hong Kong in November 2000 and July 2009 respectively. He has been admitted as a member of the Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries) since December 2009, a fellow of the Hong Kong Institute of Certified Public Accountants since May 2018 and a fellow of the Certified Practising Accountant (Australia) since May 2018.

From May 2020 to January 2022, Mr. Poon was an independent non-executive director of Evergreen International Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (stock code: 238). From September 2005 to March 2020, Mr. Poon held various positions which include the positions of executive director, chief financial officer and company secretary at Long Well International Holdings Limited (“**Long Well**”), a company listed on the Stock Exchange (stock code: 850), from March 2006 (when Long Well was known as Wing Shing International Holdings Limited) to January 2019 (when Long Well was known as Tou Rong Chang Fu Group Limited), and non-executive director from January 2019 to March 2020. From June 2015 to June 2018, he was an independent non-executive director of TC Orient Lighting Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 515).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chik Kong (黃植剛) (“Mr. Wong”), aged 49, was appointed as an Independent Non-executive Director of the Company on 21 September 2017. He is the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company.

Mr. Wong obtained a Higher Diploma in Architectural Studies from the City University of Hong Kong in November 1995. Mr. Wong has over 26 years of experience in the construction industry where he was primarily responsible for project management, cost control, supervision and co-ordination with consultants and sub-contractor for demolition, slope remedial, foundation and building projects.

Mr. CHAN Chung Kik, Lewis (陳仲戟) (“Mr. Chan”), aged 49, was appointed as an Independent Non-executive Director of the Company on 21 September 2017. He is the Chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company.

Mr. Chan obtained a Bachelor’s Degree of Commerce in Accounting from the University of Canberra in Australia in September 1997. He is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of Certified Practising Accountant (Australia). Mr. Chan has extensive experience in auditing, accounting and corporate finance.

Mr. Chan served as an independent non-executive director of (i) Kwan On Holdings Limited, a company which was previously listed on GEM of the Stock Exchange (Stock Code: 8305) in March 2015 and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 1559) in August 2016, from March 2015 to September 2016; and (ii) Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 719) and the Shenzhen Stock Exchange (Stock Code: 000756), from May 2014 to June 2018; and (iii) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 618) from March 2017 to September 2021; and (iv) Eternity Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1725), from July 2018 to July 2021.

Mr. Chan is an independent non-executive director of (i) HG Semiconductor Limited (formerly known as HongGuang Lighting Holdings Company Limited), a company which was previously listed on the GEM of the Stock Exchange (Stock Code: 8343) in December 2016 and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 6908) in November 2019, since December 2016; (ii) Founder Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 418) since March 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LEE Kwok Lun (李國麟) (“Mr. Lee”), aged 38, was appointed as an Independent Non-executive Director of the Company on 21 September 2017. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Lee graduated from the University of Hertfordshire with a Bachelor of Arts Degree in Accounting in September 2006. He has been admitted a member of the Association of Chartered Certified Accountants in January 2013. Mr. Lee has been a member of the Hong Kong Institute of Certified Public Accountants since September 2013. In May 2015, Mr. Lee was admitted as practicing member of the Hong Kong Institute of Certified Public Accountants. In 2018, Mr. Lee has been admitted as an associate member of the Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries) and the Institute of Chartered Securities and Administrators.

Mr. Lee has more than 15 years of experience in auditing and accounting. From September 2006 to February 2008, Mr. Lee held various positions in Y.K. Tsang & Co., an accounting firm, where he last served as an audit intermediate. Mr. Lee subsequently joined Chan and Chan, Certified Public Accountants in March 2008 as an intermediate audit clerk. Prior to his departure in August 2009, he worked in the capacity of a semi-senior. From September 2009 to January 2014, Mr. Lee held various position in SHINEWING (HK) CPA Limited, where he last served as an assistant manager. From January 2014 to October 2014 he was employed by BDO Limited as a manager in the Assurance Department. From November 2014 to April 2015, Mr. Lee was employed by KPMG as a manager. After leaving KPMG, Mr. Lee cofounded Prism CPA Limited in December 2015 and served as its director since then.

Mr. Lee is also the company secretary of Solis Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2227), the independent non-executive director of Dragon Rise Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 6829) and Ever Reach Group (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3616).

SENIOR MANAGEMENT

Ms. LI Mei Wai (李美慧) (“Ms. Li”), aged 35, is the chief financial officer and the Company Secretary of the Company. She joined the Group as financial controller in January 2017 and was promoted to the current position in June 2021. She is primarily responsible for financial planning, internal control, financial reporting and corporate secretarial practices of the Group.

Ms. Li obtained a Bachelor of Commerce (Honours) Degree in Accountancy from the Hong Kong Baptist University in November 2010 and graduated from The Hong Kong Polytechnic University with a Master’s Degree in Corporate Governance (with distinction) in September 2021. Ms. Li also holds professional qualification as a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. She is also a Fellow Chartered Secretary and Fellow Chartered Governance Professional of the Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries).

Prior to joining the Group, Ms. Li worked in various international accounting firms from October 2010 to July 2015. From July 2015 to December 2016, Ms. Li served at management level at Melco International Development Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 200).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LEUNG Chun Pong (梁振邦) (“Mr. Leung”), aged 38, was appointed as construction project manager of the Company in April 2021. He is primarily responsible for overseeing the project operations and technical aspects of various projects of the Group.

Mr. Leung obtained a Bachelor’s Degree and Master’s Degree of Science in Civil Engineering from the University of California, Los Angeles in June 2009 and June 2010 respectively.

Mr. Leung has over 10 years of experience in the foundation and site formation industry where he was primarily responsible for project management, cost control and supervision of construction progress.

CORPORATE GOVERNANCE REPORT

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group. The Group believed that effective corporate governance practices are fundamental to safeguarding and enhancing the interest of the Shareholders and stakeholders of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) as its own corporate governance code. The Company has complied with the CG Code during the period from 1 April 2021 to 31 March 2022 (the “**Reporting Period**”) with the exception of code provision C.2.1 as explained below.

According to code provision C.2.1 of the CG Code, the roles of the chairman of the Company (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) should be separate and performed by different individuals. Mr. Li Cheuk Kam is both the Chairman and the Chief Executive Officer. In view of the in-depth knowledge and substantial experience of Mr. Li Cheuk Kam in the operations of the Group and his solid experience in foundation and site formation works, the Board believes it is in the best interests of the Company for Mr. Li Cheuk Kam to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors of the Company.

Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for directing and supervising the Group's business and affairs. The Directors, individually and collectively, must act in good faith in the best interest of the Company and Shareholders and fulfill their fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements. The Board has delegated its powers to the management for the Group's day-to-day management and operations.

Composition

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules during the Reporting Period. The Board comprises six Directors who include two Executive Directors, namely Mr. Li Cheuk Kam (Chairman of the Board), Mr. Li Wai Fong, one Non-executive Director, namely Mr. Poon Wai Kong and three Independent Non-executive Directors, namely Mr. Wong Chik Kong, Mr. Chan Chung Kik, Lewis and Mr. Lee Kwok Lun.

Executive Directors

Mr. LI Cheuk Kam (*Chairman*)

Mr. LI Wai Fong

Non-executive Director

Mr. POON Wai Kong

Independent Non-executive Directors

Mr. WONG Chik Kong

Mr. CHAN Chung Kik, Lewis

Mr. LEE Kwok Lun

Biographical details for each Directors and their relationship among Board members are set out in the section headed "Biographical details of Directors and Senior Management" of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has signed with each of the Independent Non-executive Director a letter of appointment for a term of three years commencing from 20 September 2020, subject to retirement by rotation and re-election in accordance with the Articles of the Association (the "**Articles**") and the termination provisions of the letter of appointment. The appointment is renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then term of appointment.

Each Independent Non-executive Director is required to inform the Group as soon as practicable if there is any change that may affect his independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the Independent Non-executive Directors have met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the independence guidelines. The Company has also complied with Rule 3.10(2) of the Listing Rules as one of the Independent Non-executive Directors possesses the appropriate professional accounting qualifications and financial management expertise.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to Article 108(a) of the Articles of the Association of the Company, one-third of the Directors shall retire from office by rotation at each annual general meeting and that every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

During the Reporting Period, seven Board meetings and a general meeting were held. Details of the attendance record of each Directors is set out below:

Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
<i>Executive Directors</i>		
Mr. LI Cheuk Kam	7/7	1/1
Mr. LI Wai Fong	7/7	1/1
<i>Non-executive Director</i>		
Mr. Poon Wai Kong	7/7	0/1
<i>Independent Non-executive Directors</i>		
Mr. WONG Chik Kong	7/7	1/1
Mr. CHAN Chung Kik, Lewis	7/7	1/1
Mr. LEE Kwok Lun	7/7	1/1

Every Director has access to Board papers and related materials, and the advice and services of the company secretary of the Company (the “**Company Secretary**”), and may seek independent professional advice at the Company’s expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable statutes, codes and regulations to ensure compliance and to upkeep good corporate governance practices.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) which aims to achieve diversity on the Board, and a sustainable and balanced development of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board’s composition, the Board should have a balance of skills, experience and knowledge in the industry and diversity of perspectives appropriate to the Company’s business.

In the process of selection of board members, the Company seeks to achieve board diversity through the consideration of a range of diversity perspectives which include but not limited to gender, age, cultural and education background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective selection criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee has reviewed and will review and monitor the implementation of the Board Diversity Policy, to ensure the effectiveness of the Board Diversity Policy and will discuss any revisions that may be required and will recommend any such revisions to the Board for consideration and approval and will report to the Board annually.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend relevant programmes to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. Prior to their appointments, all Directors will be given relevant guideline materials together with the necessary induction and training to enable them to have a proper understanding of their duties and responsibilities under the Listing Rules and the applicable laws, rules and regulations. Briefings and professional development will be arranged for Directors whenever necessary. All Directors confirmed that they had participated in continuous professional development to develop and refresh their knowledge and skills and had complied with the CG Code provisions during the Reporting Period.

According to the Directors’ training records provided to the Company for the year ended 31 March 2022, training undertaken by all Directors during the year is summarised below:

Name	Type(s) of training (Note(s))
Current Directors	
Mr. LI Cheuk Kam	(a), (b)
Mr. LI Wai Fong	(a), (b)
Mr. POON Wai Kong	(a), (b)
Mr. WONG Chik Kong	(a), (b)
Mr. CHAN Chung Kik, Lewis	(a), (b)
Mr. LEE Kwok Lun	(a), (b)

Notes:

- (a) Participated in seminars/forums/conferences
- (b) Read seminar materials/journals/articles/business or industry updates

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has set up three Board Committees, namely the audit committee (the “**Audit Committee**”), the nomination committee (the “**Nomination Committee**”) and the remuneration committee (the “**Remuneration Committee**”). The table below provides the membership information of these Committees on which each Board member serves as at the date of this annual report:

Directors	Board Committees		
	Audit Committee	Nomination Committee	Remuneration Committee
Mr. LI Cheuk Kam	–	C	M
Mr. LI Wai Fong	–	–	–
Mr. POON Wai Kong	–	–	–
Mr. WONG Chik Kong	M	M	C
Mr. CHAN Chung Kik, Lewis	C	M	M
Mr. LEE Kwok Lun	M	M	M

Notes:

C – Chairman of the relevant Committee

M – Member of the relevant Committee

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code, the Audit Committee consists of three members who are all Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Chan Chung Kik, Lewis is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information of the Group, to oversee the Group’s financial reporting system and the internal control and risk management procedures, to monitor the independence and objectivity of the external auditor and to provide advice and comments to the Board on corporate governance practices. The Terms of Reference of the Audit Committee which were adopted by the Board on 21 September 2017 have been revised by the Board on 31 December 2018. The revised Terms of Reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee has reviewed the condensed consolidated interim report for the six-month period ended 30 September 2021 and the audited consolidated financial statement of the Group for the year ended 31 March 2022. The Audit Committee is satisfied that these financial statements have been prepared in accordance with applicable accounting standards and requirements.

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the Reporting Period and has reviewed, and recommended to the Board for approval of the Company's audited financial statements for the year ended 31 March 2021 and the interim financial statements for the six-month period ended 30 September 2021. The individual attendance record of each member at the meeting of the Audit Committee is set out below:

Directors	Attendance/ Number of Meetings
Mr. CHAN Chung Kik, Lewis	2/2
Mr. WONG Chik Kong	2/2
Mr. LEE Kwok Lun	2/2

Subsequent to the year ended 31 March 2022, the Audit Committee held one meeting and have reviewed and recommended to the Board for approval of the Company's audited financial statements for the year ended 31 March 2022.

NOMINATION COMMITTEE

Pursuant to Rule 3.27A of the Listing Rules, the Nomination Committee consists of one Executive Director, namely Mr. Li Cheuk Kam and three Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Li Cheuk Kam is the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee include reviewing the independence of the Independent Non-executive Directors, considering the qualifications of the retiring Directors standing for election at the annual general meetings, and reviewing the structure, size and composition of the Board. The Terms of Reference of the Nomination Committee which were adopted by the Board on 21 September 2017 have been revised by the Board on 31 December 2018. The revised Terms of Reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

Board Nomination Policy

The Company has adopted a Board Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

If the Board recognises the need for an additional Director, the Nomination Committee will carry out the selection process by making reference to the Board Diversity Guideline, the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an INED, the Company's needs and other relevant statutory requirements and regulations.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Nomination Committee held one meeting to review the structure, size and diversity of the Board, assess the independence of the Independent Non-executive Directors and recommend to the Board for consideration the re-election of all the retiring Directors at the 2021 annual general meeting. The individual attendance record of each member at the meeting of the Nomination Committee is set out below:

Directors	Attendance/ Number of Meetings
Mr. LI Cheuk Kam	1/1
Mr. WONG Chik Kong	1/1
Mr. CHAN Chung Kik, Lewis	1/1
Mr. LEE Kwok Lun	1/1

REMUNERATION COMMITTEE

The Remuneration Committee consists of one Executive Director, namely Mr. Li Cheuk Kam and three Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Wong Chik Kong is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations on the remuneration of the Company's senior management and members of the Board, such as formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all Executive Directors, Non-executive Directors and senior management and making recommendations to the Board of the remuneration of Independent Non-executive Directors. The Terms of Reference of the Remuneration Committee which were adopted by the Board on 21 September 2017 are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held two meeting during the Reporting Period to discuss the remuneration policy for current Directors and recommended to the Board for consideration the remuneration policy for current Directors at the 2021 annual general meeting and to review the remuneration packages and emoluments of director of Mr. Li Cheuk Kam for the period commencing from 1 April 2022. Mr. Li Cheuk Kam is not involved in deciding his own remuneration.

The individual attendance record of each member at the meeting of the Remuneration Committee is set out below:

Directors	Attendance/ Number of Meetings
Mr. WONG Chik Kong	2/2
Mr. LI Cheuk Kam	2/2
Mr. CHAN Chung Kik, Lewis	2/2
Mr. LEE Kwok Lun	2/2

COMPANY SECRETARY

Ms. Li Mei Wai was the Company Secretary during the Reporting Period. She is also the Company's chief financial officer. During the Reporting Period, she has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules. The biography of Ms. Li Mei Wai is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility in preparing the consolidated financial statements of the Group for the year ended 31 March 2022. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The statement of the independent auditor of the Company about their reporting responsibilities to the financial statements are set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEM

The Board has overall responsibilities for maintaining an adequate risk management and internal control system to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The department heads of the Group have identified, evaluated significant risks and confirmed to the management of the Group that appropriate internal control policies and procedures have been established and properly complied with during the Reporting Period. All the findings and material issues have been summarised to the Board and the Audit Committee for review annually. The Audit Committee will report to the Board on any material issues and makes recommendations to the Board.

The Group has established guidelines and procedures for the approval and control of expenditures, for safeguarding assets against unauthorised use or disposition, for ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and for ensuring compliance with applicable law, rules and regulations. These policies and procedures provide a reasonable assurance that material misstatements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Reporting Period, the Company has engaged an external independent consulting firm to perform the internal audit function and to review the effectiveness and efficiency of the Group's risk management and internal controls systems. The recommendations put forwarded by the consultant have already been implemented in stages by the Group to further enhance its internal control and risk management policies, procedures and practices. The Board considered that the Group's risk management and internal control systems are effective during the Reporting Period.

The Group has conducted a review to assess whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, the Board, supported by the Audit Committee, concluded that a separate internal audit department is not required for the time being.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the Reporting Period, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliated firms, in respect of its audit and non-audit services was as follows:

Directors	Service Fee HK\$'000
Audit services	870
Non-audit services:	
– Review for interim report	220
– Others*	28
Total	1,118

* Including services provided by SHINEWING (HK) CPA Limited's affiliated firms.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on Directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group during the Reporting Period.

INSIDE INFORMATION POLICY

The Group have complied with the requirements of the Securities and Futures Ordinance (“SFO”) and the Listing Rules regarding inside information during the Reporting Period. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the “safe harbours” as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements, circulars and reports of the Company is not false or misleading as to a material fact, or false or misleading due to the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene General Meeting

Procedures for Shareholders to Convene General Meeting Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary by mail at Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposal at Shareholder's Meeting

Shareholders are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for Shareholders to Convene General Meeting".

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures by which Enquiries may be out to the Board

Shareholders are welcomed to send their enquiries to the Board, such enquiries can be addressed to the Company Secretary in writing by post to the Company's principal place of business in Hong Kong at Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong or by email at info@wingchiholdings.com.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

As of the year ended 31 March 2022 and up to the date of this annual report, there are no changes to the constitutional documents of the Company.

The Stock Exchange of Hong Kong Limited has recently announced various amendments to the Listing Rules to implement the proposals under the "Consultation Conclusion Paper on Listing Regime for Overseas Issuers" published on 19 November 2021.

The amendments to the Listing Rules have already taken effect from 1 January 2022 and include the introduction of one common set of core shareholder protection standards (set out in Appendix 3 to the Listing Rules) that will apply to all listed issuers to provide the same level of protection to all investors. To conform with the core shareholder protection standards, the Directors recommended that the articles of association of the Company be amended. A proposal on amending the articles of association and the adoption of a new articles of association will be put forward at the forthcoming annual general meeting and details of the proposed amendments will be set out in the notice of the forthcoming annual general meeting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS ESG REPORT

This ESG report highlights the initiatives and efforts of Wing Chi Holdings Limited (the “**Company**”), together with its subsidiaries (collectively referred to as the “**Group**”) in fulfilling our commitment to sustainable development and corporate social responsibility in the course of our business. For the year ended 31 March 2022 (the “**Reporting Period**”), the Group and its subsidiaries were mainly engaged in foundation and site formation work. This work represents the projects undertaken by the Group, the nature of which is generally classified as excavation and lateral support works, pile caps construction and site formation works for both public and private projects. To a lesser extent, the Group also leases some of its machinery to construction companies. The Board believes that environmental protection, reduce carbon footprint, resource conservation and sustainable development are the key societal trends.

BOARD STATEMENT

In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating the ESG and the internal control systems into its risk-management system and has taken corresponding measures in its daily operations and governance perspective. The board of directors (the “**Board**”) bears the overall responsibility to set objectives and assess the risks and potential impacts of ESG issues.

To govern the ESG issues, the implementation of ESG related works have been delegated to the management of the Group supported by key personnel from functional departments. The management is responsible for identifying risks for the business, formulating and reviewing ESG-related strategies, target and work process and keeping updates on the related laws and regulations while the key personnel from functional departments are responsible to ensure the effectiveness of implementation in accordance with the strategies and objectives formulated by the management. Regular meetings are held between the Board, the management and the key personnel involved to review and evaluate the effectiveness of implementation of ESG-related work. Updates and priority in ESG strategies, target and work process will be revisited if any deviation noted.

REPORTING SCOPE AND STANDARDS

This ESG report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (“**ESG Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board set by The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), and the Group has complied with all the “comply or explain” provisions set out in the ESG Guide for the Reporting Period. We adhered to the core principles of the ESG Guide which stated below:

Materiality	Identification of material ESG factors by conducting stakeholder engagement and materiality assessment which are relevant and material to our business operations and stakeholders.
Quantitative	Quantitative key performance indicator (“ KPI ”) are presented with narrative and explanation where appropriate.
Consistency	KPI calculation methods remain consistent over time.

The information in this ESG Report is based on the Group’s official documents and statistical data, as well as a compilation and summary of monitoring, management and operational information provided by subsidiaries of the Group.

To allow better navigation of relevant ESG topics, a detailed ESG content index is available at the end of this ESG report. The corporate governance practices of the Group are set out in the Corporate Governance Report, from pages 15 to 24 of the annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENGAGEMENT WITH STAKEHOLDERS

We acknowledge the importance of sustainability as one of the key driving forces to the growth of the Group and the creation of value to our stakeholders. The Group values input and feedback from its stakeholders and strives to address their concerns. We have established the various communication channels shown in the table below to liaise with our stakeholders. The Group can therefore collect feedback and opinions from our stakeholders and respond to their needs, and to maintain a close and harmonious relationship with them to attain long-term success. The following table lists the Group's stakeholders, our communication channel and results.

Stakeholder Groups	Specific Stakeholder(s)	Communication Channel	Expectations and concerns
Investors	• Shareholders	➤ Corporate website	➤ Financial result
	• Potential investors	➤ Annual and interim financial reports	➤ Corporate governance
		➤ Announcements, circulars and disclosures of stock listing information	
		➤ Annual general meetings and extraordinary general meetings	
Employees	• Senior management	➤ Direct communication	➤ Career
	• Staff	➤ Independent focus groups and interviews	➤ Remuneration and benefit
	• Direct workers	➤ Training and seminars	➤ Work environment
	• Potential recruits	➤ Regular performance assessments	➤ Health and safety
		➤ Corporate Social Responsibility ("CSR") activities	
Customers	• Government departments and statutory bodies	➤ Periodic meetings with contractors and customers	➤ Price
		➤ Customer assessments	➤ Service quality
	• Property developers	➤ Designated customer hotline	
	• Landowners		
	• End users		
Suppliers/ Contractors	• Suppliers	➤ Supplier assessments	➤ Stable relationship
	• Sub-contractors	➤ Daily work reviews	➤ Work environment
	• Service providers	➤ Site inspections and meetings with sub-contractors	
Community	• National and local community organisations	➤ Charitable donations	➤ Corporate social responsibility
		➤ CSR activities	
Government	• National and local governments	➤ Written correspondence	➤ Compliance with law and regulations
	• Regulators	➤ Statutory reports and general disclosures	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The management and employees responsible for the key functions of the Group have participated in the preparation of this ESG report to assist the Group in reviewing its operations, identifying key ESG issues and assessing the importance of these issues to the Group's businesses and stakeholders. In reference to the material environmental, social and governance issues identified, a questionnaire has been designed and used to collect information from the Group's relevant departments and business units.

PROTECTING THE ENVIRONMENT

Our operations inevitably cause air and noise pollution, safety issues and inconvenience to the employees and the neighbouring communities when performing foundation and site formation work. We acknowledge our responsibilities towards the potential adverse environmental impacts associated with our business operations which include project tendering and daily operations in our office and at our construction sites and integrate environmental consideration into our decision-making processes.

To demonstrate our commitment to environmental management, we have established an environmental management system and developed an environmental management manual in accordance with ISO14001:2015. To meet the ISO14001:2015 requirements, the Group has developed environmental management policies and procedures to improve its ability to efficiently identify, minimise, prevent and manage negative environmental impact as it arises, thereby reduced the associated risks. The Group also communicates its environmental policies to all its employees, sub-contractors and suppliers to ensure that they comply with these policies and to encourage them to apply good environmental practices and improve performance.

EMISSIONS

Sustainable development is important to secure the future of our business. In keeping with the Group's efforts towards the environment, we will continue to implement our commitments to the Hong Kong SAR Government's environmental targets and programmes on emissions, energy, water, material use and waste management.

Emissions from our daily business activities mainly comprise of air pollutants, greenhouse gases ("**GHG**"), noise, discharge into water and land, and disposal of inert and non-inert construction waste while carrying out projects. Various practices have been incorporated into our daily operations to minimise air-pollutant emissions at source. For instance, only non-road mobile machinery with approval labels or exemption labels in accordance with the Air Pollution Control Ordinance (Cap. 311) are operated. All non-road mobile machinery purchased during the Reporting Period complied with the Quality Powered Mechanical Equipment System set up by the Environmental Protection Department which improved the efficiency and facilitated the Construction Noise Permit application process. We utilise ultra-low-sulphur diesel in our non-road mobile machinery and on-road vehicles where applicable to reduce sulphur oxide emissions. Other day-to-day operational practices have been properly implemented throughout our construction process. Exposed construction areas are frequently watered, covered with tarpaulin or fabric sheets or enclosed with dust shields where the dust-generating activities take place.

During the Reporting Period, the Group's main sources of GHG emissions included direct emissions from combustion of gaseous fuel in vehicles and fuel-operated plants, indirect emissions from purchased electricity, and disposal of paper at landfills.

The largest source of the Group's GHG emissions related to "Scope 1" of the environmental KPIs — direct emissions or removals from sources, attributed to the combustion of fuels in mobile combustion sources, for example, motor vehicles, machines and equipment during operations. The amount of GHG emissions related to "Scope 2" — electricity purchased from power companies — and "Scope 3" — paper waste disposed at landfills — were insignificant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG emissions generated by the Group during the Reporting Period are as follows:

	Unit	2021/22	2020/21	
Emissions data from gaseous fuel consumption				
Nitrogen oxide (NO _x)	kg	1,174.57	862.07	
Sulphur oxide (SO _x)	kg	1.58	1.22	
Particulate matter (PM)	kg	91.70	70.81	
Direct emission or removals from sources (Scope 1)				
GHG emissions from mobile combustion sources	Carbon dioxide (CO ₂)	tonne	256.57	197.10
	Methane (CH ₄)	tonne	0.37	0.20
	Nitrous oxide (N ₂ O)	tonne	7.69	7.93
Indirect emissions from energy (Scope 2)				
Electricity purchased from power companies	Carbon dioxide (CO ₂)	tonne	7.25	8.05
Total direct and indirect emission (Scope 1 & Scope 2)				
Total emissions	tonne	271.88	213.28	
Total emission intensity	tonne/number of projects*	8.77	7.35	
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	Carbon dioxide (CO ₂)	tonne	1.73	1.48

* The numbers of projects used for above calculation was 31 and 29 as at 31 March 2022 and 31 March 2021 respectively.

The increase in emission from gaseous fuel consumption resulted from increased miles travelled by on-road vehicles and increased fuel consumption. The Group will continue to try its best to utilise ultra-low-sulphur diesel to reduce sulphur oxide emissions and keep the fuel consumption of petrol and diesel at low consumption level for both the non-road mobile machinery and on-road vehicles.

We target to reduce 2-3% of the total emission intensity in the coming five years by replacing the broken on-road vehicles by electronic or hybrid vehicles.

To the best of our knowledge, during the Reporting Period, the Group does not have any non-compliance issues in relation to laws and regulations that relate to air and greenhouse gas emissions and discharges into water and land which include but not limited to the Air Pollution Control Ordinance (Cap. 311), the Water Pollution Control Ordinance (Cap. 358), the Noise Control Ordinance (Cap. 400), the Environmental Impact Assessment Ordinance (Cap. 499) and other regulations promulgated by the Hong Kong SAR Government and currently applicable to the Group, as well as the environmental requirements of our customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WASTE MANAGEMENT

Since we engaged in construction projects and leasing machinery, it is anticipated that significant amounts of construction and demolition materials (“**C&D materials**”) will be generated by our operating activities (i.e. site formation works, foundation works, and building construction and superstructure works). C&D materials consist of inert and non-inert waste, which are to be disposed of at public filling areas and landfills respectively. General refuse which includes office waste, paper waste, food waste and packaging waste are collected and temporarily stored on site before being disposed of at landfills.

The Group maintains high standards in waste reduction, educates its employees on the significance of sustainable development, and provides relevant support in order to enhance employees’ skills and knowledge in sustainable development. Waste management measures cover both our head office and project sites. Recycling boxes have also been provided at the Group’s head office to encourage the employees to sort and recycle waste to achieve the objectives of waste mitigation, reusing and recycling in daily operations. Moreover, the Group’s staff are encouraged to keep records in electronic form instead of printed copies. Where applicable, environmentally friendly construction practices are implemented during our operations. These practices include using precast concrete units rather than placing concrete, using structural steel rather than reinforced concrete for building frameworks, storing used structural steel off-site for use, and transferring surplus excavated materials to other concurrent projects for reuse as backfilling materials.

During the Reporting Period, waste generated at our project sites was mainly handled by the main contractors of construction projects employed by the Group. Apart from that, the Group has disposed approximately 138 tonnes construction waste to public filling areas which generated from one of our project. The intensity of these non-hazardous wastes was approximately 138 tonnes per projects. We target to reduce the non-hazardous wastes intensity by 3% in the coming year by enforcing stronger implementation of wastes measures as mentioned above.

Given the nature of our business, no hazardous waste is generated from our operations. The related KPIs and reduction target are therefore not applicable to the Group.

To the best of our knowledge, during the Reporting Period, we do not have any non-compliance issues in relation to laws and regulations that relating to generation of hazardous and non-hazardous waste which includes but not limited to the Waste Disposal Ordinance (Cap. 354), the Dumping at Sea Ordinance (Cap. 466) and other regulations promulgated by the Government and currently applicable to the Group, as well as the environmental requirements of our customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

USE OF RESOURCES

The Group mainly consumes fuel, electricity, and water in its operation. Both head office and project site operations require the consumption of electricity and fuel. Fuel is used for equipment and ground transportation during delivery, while electricity consumption mainly comes from office use. The Group has no problem in sourcing water as the water used in the project sites is provided by the main contractor.

The Group endeavours to reduce its resource consumption by optimising its work environment, which emphasises green operations and green initiatives in the workplace. To this end, a variety of energy-conservation and pollution-reduction measures have been implemented at our offices and construction sites as follows:

- Office**
 - Set and maintain regular room temperatures at 24–26°C;
 - Print on both sides of paper, email communication preferred;
 - Switch office equipment (e.g. printers, computers, monitors) to sleep mode when they are idle;
 - When purchasing electrical appliances, prioritising those with Grade 1 energy efficiency labelling; and
 - Divide lighting systems into small zones, enabling a more flexible approach towards energy saving.
- Site**
 - Switch off non-essential lighting as well as idle machinery and equipment;
 - Order work-site materials accurately to avoid waste;
 - Enhance the maintenance and overhaul procedures to keep all equipment in optimal condition for effective use of energy; and
 - Use various communication channels (posters, signs and memos) for promoting energy conservation to raise construction workers' awareness.

In addition to energy conservation, another of our focus areas is to reduce our water footprint, given that water availability is crucial to human survival. The Group recommends recollection, reuse and recycling of greywater of construction sites to reduce freshwater consumption. As an example, muddy water generated from piling works and washing of construction vehicles is treated through sedimentation and flocculation in the wastewater treatment system to allow reuse whenever feasible.

Resource consumption by the Group during the Reporting Period is as follows:

	Unit	2021/22	2020/21
Electricity consumption	kWh	19,605.03	14,128.61
	kWh/employee	54.01	44.29

Electricity consumption increased during the Reporting Period due to the newly rented warehouse. Although we have expanded storage area for the business, we will continue to follow the Group's energy-conservation and pollution-reduction measures as described above to ensure only needed resources are used.

The Group targets to reduce the intensity of electricity consumption by the warehouse to below 52kWh per employee for the year ending 31 March 2027.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT AND NATURAL RESOURCES

In compliance with the applicable environmental legislation, the Group expects that there will not be significant negative impact on the environment or natural resources as a result of its business operations. Nonetheless, we will continue to place great importance on the potential threats our operations might pose to the natural environment. We raise environmental awareness amongst our employees through improving utilisation of resources and providing environmentally friendly guidance in our daily operations.

To comply with the relevant laws and regulations, we regularly assess the environmental risks of our operations and adopt preventive measures. For instance, the office paper used for in-house printing is produced under the Programme for the Endorsement of Forest Certification (“**PEFC**”). The Group also encourages its staff to maintain records in electronic format. PEFC is a leading global alliance of national forest-certification systems dedicated to promoting sustainable forest management. The PEFC Chain of Custody certification tracks wood from sustainable sources through the supply chain to the final product. It demonstrates that each step of the supply chain is closely monitored through an independent auditing entity to ensure that unsustainable sources are excluded.

The Group believes that the objectives of energy conservation, waste reduction and greening the office can be achieved with the implementation of the measures mentioned above. The Group will continue to look for opportunities to further reduce emissions and waste to minimise the adverse impact of our operations on the environment and natural resources.

On 26 March 2022, one of our major operating subsidiary, participated in the Earth Hour 2022 organised by World Wildlife Fund by switching off non-essential lights for one hour, starting from 8:30 pm to 9:30 pm. to show our commitment towards addressing climate crisis and deterioration of biodiversity on Earth.

The Group understands that ESG policies and practices should change over time to reflect changes in business operations, structures, technology, laws and regulations, and the environment. We therefore keep track of the latest relevant environmental laws and regulations and will continue to commit to measures that strengthen environmental protection. During the Reporting Period, the Group has complied with all the relevant environmental laws and regulations in Hong Kong and other regulations promulgated by the Hong Kong SAR Government and currently applicable to the Group, as well as the environmental requirements of our customers.

CLIMATE CHANGE

Global warming has resulted in extreme weather and climate events which the Group pays close attention on it. Two major types of risk have been identified by the Group. Acute physical risks arise from weather-related events such as storms, floods or heatwaves while transition risks such as market risks and policy risks arise from changes in consumer and customers choice, related laws and regulations. The management with assistance from key personnel from functional departments has developed relevant policies to identify and mitigate the adverse impacts raised from climate change issues.

Storms, floods and high temperature will have a certain degree of negative impact to our foundation and site formation work. Storms and floods may lead to the suspension of projects and cause physical risk to our workers. To reduce the physical risks caused by the abovementioned climate events, the Group has formulated a policy regarding work arrangements and measures under typhoon and rainstorm.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The measures included but not limited to below:

Period before the typhoon or rainstorm come

- Before work start, to plan the work location and work nature in consideration of severe weather factors with reference to weather forecast
- Provide safe shelter to protect the employees from strong winds, rainstorms and lightning
- Clear ditches, manholes etc to avoid flooding

During the typhoon or rainstorm period

- Form an emergency response team to cope with emergencies which may occur
- Ensure all temporary structures and, mechanical parts have been fastened
- Prepare enough sandbags and water pumps for use

For the possible transition risks identified, due to our business nature, it is expected that change in environmental-related regulations and customers preference do not have a material impact on the Group's operations. The Group will continue to monitor the market environment to ensure that our services meet customers and regulatory requirement.

EMPLOYMENT AND LABOUR PRACTICES

Employees are valuable assets towards the Group and we owe a lot of our success to our employees. We respect and protect the rights and interests of our employees and enhance employment management in order to build a harmonious work relationship. We ensure that our employment and labour practices comply with anti-discrimination ordinances and the guidance under the Employment Ordinance (Cap. 57), the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the Minimum Wage Ordinance (Cap. 608), as well as construction industry features and practices. The Group safeguards the legitimate interests of our labour in compliance with relevant laws and regulations, respects the rights of the employees to rest and leave, and regulates their work hours and their rights to various types of rest time and holiday.

The Group complies strictly with local laws and regulations and emphasises equal opportunities for all personnel with respect to recruitment, promotion, dismissal, remuneration, benefits, and training and development. We also commit to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation to attract professionals with diverse backgrounds to join the Group.

The Group places significant emphasis on developing human capital and provides competitive remuneration and welfare packages. A performance appraisal system to review staff performance and remuneration annually has been established with the aim of motivating employees, rewarding their contribution and performance, and assisting them in their career development and promotion within the Group. Promotion opportunities and salary adjustments are benchmarked against individual performance with reference to the prevailing market standard. The Group's remuneration policies and packages are reviewed by the management on a regular basis. Qualified employees are granted discretionary bonuses based on our operational results and individual performance.

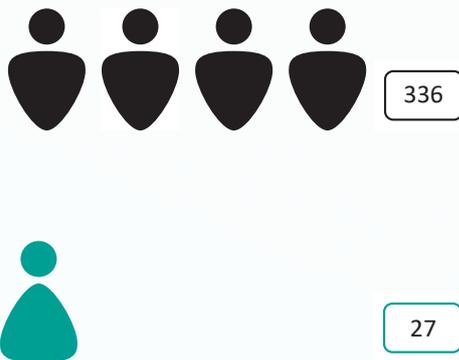
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Staff Composition

The Group is principally engaged in the provision of construction services which demands physical strength from our workers. Therefore, male employees are traditionally a majority in our workforce. This does not mean, however, that the Group is biased towards recruiting male employees. We always offer equal opportunities to female job applicants.

As of 31 March 2022, we employed a total of 363 staffs (44 full-time staffs and 319 casual employees), including back-office and site staff. All of our staff members are located in Hong Kong.

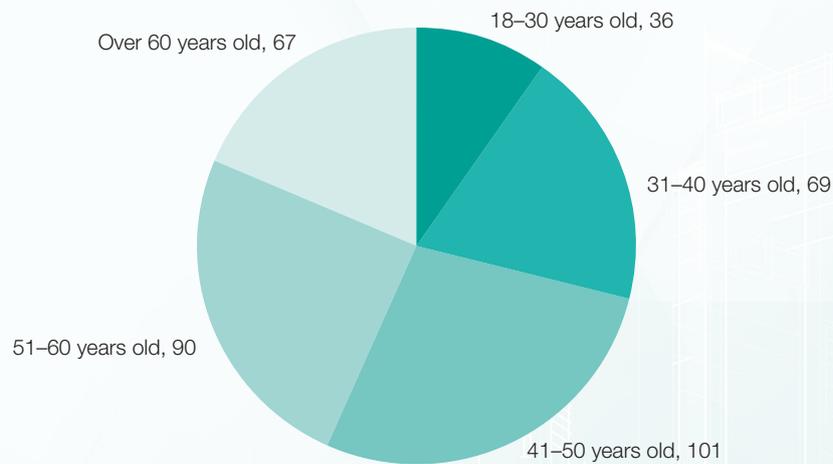
Employees by Gender



Employees by Employment Category

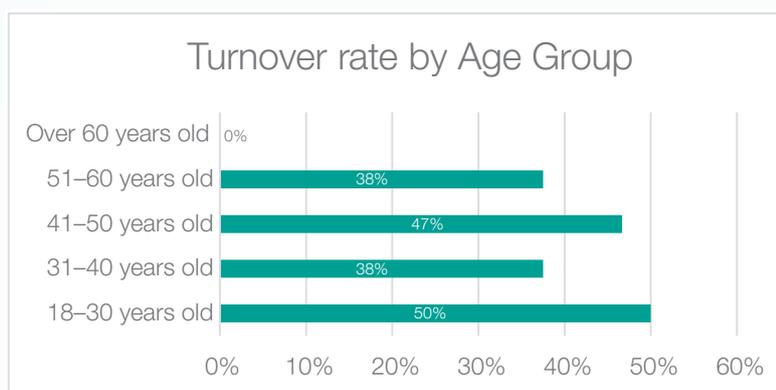


Employees by Age Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, as causal employees frequently leave and re-join the Group, hence the turnover rate for causal employees is considered not meaningful. Instead, a total of 18 full-time staffs left the Group and the staff turnover rate is about 41%. The turnover rate for male staffs and female staffs are 26% and 100% respectively. Certain numbers of female staff joined and left the Group during the year which resulted in the high turnover rate in female staff. Since all of our staff members are located in Hong Kong, turnover rate in relevant geographical regions is not applicable to the Group. The specific turnover statistic by age group is as follows:



For the Reporting Period, the Group is not aware of any cases of non-compliance with laws and regulations in relation to compensation and dismissal, recruitment and promotion, work hours, rest periods, equal opportunities, diversity, anti-discrimination, or other benefits and welfare.

HEALTH AND SAFETY

The Group has established occupational health-and-safety management systems accredited with ISO 45001:2018 to deliver safety initiatives that minimise potential health-and-safety risks at work sites and the adverse impact of industrial accidents. Due to our business nature, paramount importance is given to the health and safety of our employees.

Inappropriate operation of machinery can result in injuries to workers and damage to property. We ensure that all construction work is carried out according to high health-and-safety standards in practical terms. Warning signs have been posted in prominent positions regarding the potential negative health impact of construction activities, appropriate handling procedures, and preventive measures with the goal of protecting employees from occupational hazards and injuries. The Group provides personal protective equipment such as safety helmets, safety goggles, safety shoes and high-visibility clothing and requires all workers who work at project sites to wear them. To ensure the health and safety of our employees, sufficient first-aid kits are in place and machinery and equipment are regularly checked and maintained in order to safeguard employees' health and safety in the workplace.

The Group provides relevant occupational health-and-safety training to our staff and workers. For example, safety induction training, safety toolbox talks, specific training for high-risk activities, and regular emergency contingency drills to heighten employees' awareness of workplace hazards and ensure that they are competent to discharge their occupational health-and-safety ("OHS") responsibilities and obligations and respond to emergencies.

Regular safety meetings are held between safety officers, site supervision teams and sub-contractors and workers' representatives to share the latest information and best practices regarding OHS. Safety officers are responsible for conducting site inspections to ensure that the Group's existing business operations and working procedures comply with health and safety standards. These procedures are reviewed and the relevant laws and regulations checked for updates on a regular basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the Reporting Period, the work injury statistics for the Group are as follows:

Work-related Fatalities Statistics	Unit	2021/22	2020/21	2019/20
Number of work-related fatalities	Case(s)	0	0	0
Rate of work-related fatalities	Percentage	0%	0%	0%

Work Injury Statistics	Unit	2021/22	2020/21
Number of reported accidents (sick leave > 3 days)	Case(s)	4	5
Days lost due to work injury	Day(s)	1,331	928

The injured cases slightly decreased during the year as a result of the abovementioned safety measures. However, any injured case is also considered too much for us. We will continue to provide regular safety training to site staffs and keep their awareness on safety measures adopted.

During the Reporting Period, the staff member of Lik Shing Engineering Company Limited our subsidiary were granted the “The Best Safety Worker” award and Lik Shing Engineering Company Limited were granted “The Best Safety Sub-contractor” award by main contractors as an acknowledgement of our staff’s and the Group’s effort towards occupational health and safety in part of its projects.

The Group is well aware of the potential health hazard the COVID-19 pandemic may bring to Hong Kong society. Accordingly, the Group implemented the following measures to fight against the pandemic:

- Provide face masks and disinfectant products at head office and site offices for staff use.
- Require staff to adhere to the Group’s office hygiene requirements in response to the COVID-19 pandemic.
- Place COVID-19 educational materials at head office to raise staff’s hygiene awareness.
- Develop workplace guidelines for prevention of the COVID-19 at head office and construction sites.
- Ensure staffs and workers in project sites have complied with the requirement of “Vaccine Pass”.

The above measures not only protected the health of our staff but also that of our customers and the communities close to the work sites where the Group operates. The Group will continue to optimise its work practices for the sake of staff health and safety with the aim of creating a safe, healthy and comfortable work environment. To this end, we comply strictly with the applicable laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509), the Employees’ Compensation Ordinance (Cap. 282), and the Factories and Industrial Undertakings Ordinance (Cap. 59).

During the Reporting Period, the Group is not aware of any cases of non-compliance that have a significant impact on the Group with laws and regulations in relation to providing a safe work environment and protecting employees from occupational hazards. However, a number of work injury litigation cases are still in progress since the lawsuit process usually take a few years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DEVELOPMENT AND TRAINING

The Group regards continuous development of our employees as the key to success. We provide an environment of fair competition, set up career development channels for employees and invest in development programs and offer training to strengthen and widen employees' professional knowledge and technical abilities. We are committed to provide our employees with a suitable and appropriate platform for their career development, professionalism and promotion opportunities, and to encourage them to proactively recognise their training needs and seek development to fulfil their personal and career aspirations. Annual performance appraisals are conducted between management and employees for continuous improvement.

In line with our commitment to providing adequate training opportunities to develop employees' knowledge and skills, we frequently arrange for experienced staff to provide instruction and guidance to junior staff, and provide educational subsidies to allow the employees to pursue further studies and attend work-related external training programs to enrich their business expertise, competencies and skill sets for their career development. These arrangements can improve the employees' technical skills and managerial capabilities and encourage the employees at all levels, as well as enhancing communication and team spirit. The Group provides new recruits with comprehensive on-the-job training to help them to understand the Group's corporate culture and development, management systems, work health-and-safety measures and business processes.

The Group's directors and managerial staff are provided with various training sessions to allow them to continue their professional development and enhance their knowledge and skills. The training includes updates on the rules for listed companies and information about relevant laws and regulations, corporate governance, corporate governance under coronavirus and the latest ESG information.

In total, 16% of our employee have participated in training during the Reporting Year. By gender, 15% of our male employees and 26% of our female employees has taken part in training, with the average duration at approximately 0.60 hours and 3.40 hours respectively. Apart from the compulsory safety training delivered to the site workers such as safety toolbox talks and safety induction training before commencement or work, the percentage of employees participating in training for senior employees, middle-level employees, entry-level employees and casual employees was approximately 100%, 90%, 67% and 6% respectively. The average duration of training in each of these categories was approximately 21.21 hours, 3.40 hours, 0.42 hours and 0.12 hours respectively. Unfortunately, training participation has decreased due to the COVID-19 pandemic. In order to maintain social distancing during the Reporting Year, the Group reduced group training sessions.

LABOUR STANDARDS

The Group respects human rights and freedoms and strictly prohibits the uses of child and forced labour in our workplace by adhering to the Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance (Cap. 57) of Hong Kong. We have comprehensive steps in place to regularly review our employment practices. Prior to confirmation of employment, the Group's human-resources staff will ask job applicants to produce valid identity documents for verification of age and ensure that the applicants are lawfully employable. The Group and the employees will then sign employment contracts explaining and detailing the rights and duties of both parties to prohibit any labour exploitation or forced labour. In the event that any irregularities in ages or validities of employment status is found, the Group will eliminate undesirable practices and perform investigation. To align with the relevant laws and regulations, employment arrangements encompassing working environment, terms of employment, working hours, rest days and holidays are subject to periodic review.

For the Reporting Period, the Group is not aware of any cases of non-compliance that have a significant impact on the Group with laws and regulations in relation to preventing child and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPLY CHAIN MANAGEMENT

The Group is well aware of the environmental and social impacts that may occur throughout the supply chain and is committed to maintaining and managing a sustainable and reliable supply chain that has minimal negative impact on the environment and society in collaboration with our suppliers and sub-contractors.

During the Reporting Period, the Group has maintained close ties with a total of 151 suppliers and 49 sub-contractors, all of which are mainly based in Hong Kong. The Group will continue to promote local economic development and reduce its carbon footprint, give priority to local suppliers to shorten the transportation distance. In addition to geographical factors, we expect our suppliers to maintain sound social-responsibility systems for managing environmental and social issues, which include environmental protection, occupational health and safety, product responsibility and human rights. Suppliers or sub-contractors who equipped with environmental or social accreditation will be prioritised for selection also. These are also part of our selection criteria for suppliers and subcontractors.

The Group evaluates suppliers and sub-contractors with respect to their quality of work, cost, schedule, past performance, and environmental and safety requirements. The Group regularly undertakes review to guarantee that its business partners effectively manage environmental and social risks throughout the supply chain. A list of approved suppliers and sub-contractors is maintained so management can keep track of their performance. We only select suppliers and sub-contractors from this approved list. Exceptions can be considered only if individually reviewed and approved by management, or if the relevant vendor is specifically requested by a client of the Group. We will state such environmental and social requirements in the contracts if appropriate. Suppliers or sub-contractors with violation record in our requirement will not be considered. We may consider terminating cooperation with suppliers or sub-contractors if we note any significant negative environmental or social impact caused by the selected suppliers or sub-contractors.

The Group also liaises periodically with our suppliers and sub-contractors to ensure their consistent performance according to their service commitment. We will continue to optimise and improve the supplier-management system, regulate access, supervision, and evaluation of suppliers and sub-contractors, and increase specialisation and transparency of the supply-chain management.

To ensure our sub-contractors strictly comply with the Group's requirement on environmental and social policy, full time staff has been appointed for monitoring purpose to avoid the violation of required regulations.

The Group's site agents will perform inspections of materials delivered to project sites to verify the quality of materials provided by suppliers. In the case of any quality issues, the suppliers concerned should provide a replacement or exchange service after negotiation. The Group also engages in ongoing communication with its clients to ensure their needs are understood and their expectations satisfied, as well as constantly improving its services.

PRODUCT RESPONSIBILITY

The Group understands it is imperative to manage our relationships with our suppliers, sub-contractors and clients in a responsible and sustainable manner. We are dedicated to providing consistent and high-quality services to our clients and collaborating with our suppliers and sub-contractors to create win-win outcomes. In order to ensure the quality of the construction work, our project teams monitor the cost control and construction progress closely by implementing stringent quality-control procedures and regular on-site inspections. We strive to meet the specifications and requirements of our clients and the applicable statutory and regulatory requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With the aim of providing premium and reliable service to our clients, we have established and implemented a quality management system (“**QMS**”) in our operations, which is in conformity with the internationally recognised ISO 9001:2015 standard to meet the demand of our clients. The Group has also developed its internal management system and closely monitors project progress, with the implementation of our QMS, quality and compliance at all project sites are ensured through a systematic control process in which the work is inspected and tested to detect non-compliance and is subject to rectification until the quality specifications are met.

The Group treasures the opinions of our clients and takes them as a driving force to improve the quality of our services. We therefore endeavour to meet the needs of the current and the potential clients and respond to their concerns, handling their complaints with prudence and fairness. In order to manage and resolve complaints efficiently, the Group has formulated complaint-handling procedures which clearly stipulate the responsibilities of the relevant personnel. We are glad that no service-related complaints or claim has been received for quality issues related to work performed either by us or by our sub-contractors during the Reporting Period. The Group’s directors opined that, this is the result of the effective quality-control measures. Due to our business nature, the service provided is not subject to recalls for safety and health reasons, therefore, no such statistic is available.

In compliance with the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong, we ensure that all the business data collected from our clients is treated as strict confidential. Our clients’ data can only be accessed by authorised personnel, and data processing is monitored by managerial employees to protect clients’ information against improper disclosure, misuse or unauthorised use, loss, damage and corruption. Through internal training and confidentiality agreements, the Group enforces confidentiality obligations and data leakage prevention.

The Group is dedicated to protecting and enforcing the Group’s own intellectual property (“**IP**”) rights as well as the IP rights of other enterprises. The Group has obtained from authorised supplier licensed software and information for use in its business operations. Employees are also required to avoid infringing copyright and having unlicensed computer software on their workplace computers.

Due to the nature of our business, no public advertisement is conducted. However, our clients have been referred to us by word-of-mouth, and clients who are satisfied with our products and services share their experience with others.

For the Reporting Period, the Group is not aware of any cases of non-compliance that have a significant impact on the Group with laws and regulations in relation to health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress.

ANTI-CORRUPTION

We believe all successful business stands on the foundation of morality. We are committed to maintaining the highest ethical standard of business conduct. We place utmost importance on moral integrity and anti-corruption by closely complying with the relevant regulations and laws, such as the Prevention of Bribery Ordinance (Cap. 201), and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615).

To prevent any negative social impact linked to corruption, the Group has established policies that prohibit all forms of fraud and corruption, such as bribery, extortion, illegal inducement, offering or accepting prohibited gifts, kickbacks or other prohibited advantages. These policies are effectively conveyed to our employees to ensure their understanding of and compliance with all the applicable anti-corruption laws and regulations. Related information on anti-money-laundering has also been provided to employees to raise their awareness of this issue.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To facilitate identification of suspected cases of corruption, money laundering and other misconducts, the Group has developed a whistle-blowing policy which is included in the staff handbook. This facilitates disclosure of relevant information via a confidential reporting channel by the employees. Employees can report verbally or in writing to the senior management for any suspected misconduct, giving full details and supporting evidence. The Group advocates a confidentiality mechanism through security regimes to protect the whistle-blowers against unfair dismissal or victimisation. Reported cases are subject to independent investigations and proper follow-up is ensured. The Group is also fully aware that it is obligated to refer matters to legal enforcement parties or regulators and shall be subject to disciplinary action where appropriate.

To deepen the knowledge of corruption prevention at the management level, the Group organised an event using ICAC training materials for management staff in March 2022. The event primarily focused on three high-corruption-risk areas, which include contract awards, construction supervision and contract management. Our management staff members greatly benefited from the event.

For the Reporting Period, there is no concluded legal case regarding corrupt practices brought against us and our employee and the Group is not aware of any cases of non-compliance that have a significant impact on the Group with laws and regulations in relation to bribery, extortion, fraud, and money laundering.

GIVING BACK TO THE COMMUNITY

To honour its corporate social responsibility for the benefit of the society, the Group always seeks to be a positive force in the communities in which we operate, and maintains close communications and interactions with the communities in order to contribute to local development from time to time. The Group hopes to foster employees' sense of social responsibility and to build up positive value through encouraging them to participate in charitable activities.

By giving full play to our advantages, the Group donated to The Society of Registered Safety Officers and The Lighthouse Club Hong Kong Benevolent Fund during the Reporting Period. The former organisation was established with one of the aims to promote safety and health across the industries while the latter organisation is a non-political organisation supporting the construction industry in Hong Kong, through the promotion of good fellowship among its members and the provision of charitable assistance to distressed persons within the industry. Not only does community participation foster a closer relationship between the Group and the community, it also brings our staff from different departments and project sites closer to each other, boosting team spirit to contribute to the well-being of the Group and society.

We continue to support several events organised by the Community Chest namely "Dress Casual Day 2021", "Green Law Carbon Day 2021" and "Skip Lunch Day 2022" through donation. These activities benefited the projects named "Green Related Projects" and "Services for Street Sleepers. Residents in Cage Homes and Cubicles" supported by the Community Chest. The Community Chest organises fund-raising events for over 160 social-welfare member agencies to provide services to more than 2.5 million beneficiaries in Hong Kong in six major service areas: children & youth, elderly, family & child welfare, medical & health, rehabilitation & aftercare, and community development.

During the Reporting Period, we are glad to extend our care to the area of sports also through donation to Kai Tak Sports Initiative Foundation Limited which is an initiative to encourage and support the development of community sports and increase sports participation levels in Hong Kong.

Looking forward, we will continue to uphold the principle of being responsible to our clients, employees, shareholders and society, and will seek and capture opportunities to strive for harmonious development between the Group and all stakeholders and make our due contribution.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PERFORMANCE DATA SUMMARY

Air Emissions	Unit	2021/22	2020/21
Nitrogen Oxide (NO _x)	kg	1,174.57	862.07
Sulphur Oxide (SO _x)	kg	1.58	1.22
Particulate Matter (PM)	kg	91.70	70.81

GHG Emissions	Unit	2021/22	2020/21	
Direct emission or removals from sources (Scope 1)				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO ₂) Methane (CH ₄) Nitrous oxide (N ₂ O)	tonne tonne tonne	256.57 0.37 7.69	197.10 0.20 7.93
Energy indirect emissions (Scope 2)				
Electricity purchased from power companies	Carbon Dioxide (CO ₂)	tonne	7.25	8.05
Total direct and indirect emission (Scope 1 & Scope 2)				
Total emissions	tonne	271.88	213.28	
Total emission intensity	tonne/number of projects*	8.77	7.35	
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	Carbon Dioxide (CO ₂)	tonne	1.73	1.48

* The numbers of projects used for above calculation was 31 and 29 as at 31 March 2022 and 31 March 2021 respectively.

Resources Consumption	Unit	2021/22	2020/21
Electricity Consumption	kWh kWh/employee	19,605.03 54.01	14,128.61 44.29

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Total Workforce No. of People in FY2021/22	Total Workforce No. of People in FY2020/21
By Gender		
Male	336	299
Female	27	20
By Age Group		
18–30 years old	36	33
31–40 years old	69	71
41–50 years old	101	75
51–60 years	90	87
Over 60 years old	67	53
By Geographical Region		
Hong Kong	363	319
By Employee Category		
Senior Management	7	9
Middle Management	31	20
Entry Level	6	9
Casual Employees	319	281

Work-related fatalities Statistics	Unit	2021/22	2020/21	2019/20
Number of work-related fatalities	Case	0	0	0
Rate of work-related fatalities	Percentage	0%	0%	0%

Work Injury Statistics	Unit	2021/22	2020/21
Number of reported accidents (sick leave > 3 days)	Case	4	5
Lost days due to work injury	Day	1,331	928

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Percentage of employees being trained in FY2021/22 Rate	Percentage of employees being trained in FY2020/21 Rate
By Gender		
Male	15%	39%
Female	26%	10%
By Category		
Senior Management	100%	89%
Middle Management	90%	70%
Entry Level	67%	22%
Casual Employees	6%	34%

	Average training hours completed in FY2021/22 No. of Hours	Average training hours completed in FY2020/21 No. of Hours
By Gender		
Male	0.60	0.48
Female	3.40	16.64
By Category		
Senior Management	21.21	32.02
Middle Management	3.40	6.18
Entry Level	0.42	0.17
Casual Employees	0.12	0.23

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The following table provides an overview of the general disclosures and KPIs of various aspects under each subject area, which are either cross-referenced to the relevant chapters of the Report or supplementing the Report with additional information.

Description	Reference	Remark	
<i>ENVIRONMENTAL</i>			
<i>Aspect A1: EMISSIONS</i>			
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting the Environment & Emissions	
<i>KPI A1.1</i>	The types of emissions and respective emissions data.	Emissions	
<i>KPI A1.2</i>	GHG in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions	
<i>KPI A1.3</i>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	We do not generate hazardous waste in our operations.
<i>KPI A1.4</i>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
<i>KPI A1.5</i>	Description of emissions target(s) set and steps taken to achieve them.	Emissions	
<i>KPI A1.6</i>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark	
<i>Aspect A2: USE OF RESOURCES</i>			
<i>General Disclosure</i>	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	
<i>KPI A2.1</i>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	
<i>KPI A2.2</i>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A	
<i>KPI A2.3</i>	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources	
<i>KPI A2.4</i>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources	Water was provided by main contractor in project sites, water efficiency target is not applicable to the Group.
<i>KPI A2.5</i>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	We do not generate significant packaging material waste in our operations.
<i>Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES</i>			
<i>General Disclosure</i>	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources	
<i>KPI A3.1</i>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark
<i>Aspect A4: CLIMATE CHANGE</i>		
<i>General Disclosure</i>	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
<i>KPI A4.1</i>	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
<i>EMPLOYMENT AND LABOUR PRACTICES</i>		
<i>Aspect B1: EMPLOYMENT</i>		
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hour, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare.	Employment and Labour Practices
<i>KPI B1.1</i>	Total workforce by gender, employment type, age group and geographical region.	Employment and Labour Practices — Staff Composition
<i>KPI B1.2</i>	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Practices — Staff Composition

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark
<i>Aspect B2: HEALTH AND SAFETY</i>		
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employee from occupational hazards.	Health and Safety
<i>KPI B2.1</i>	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
<i>KPI B2.2</i>	Lost days due to work injury.	Health and Safety
<i>KPI B2.3</i>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
<i>Aspect B3: DEVELOPMENT AND TRAINING</i>		
<i>General Disclosure</i>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
<i>KPI B3.1</i>	The percentage of employees trained by gender and employee category.	Development and Training
<i>KPI B3.2</i>	The average training hours completed per employee gender and employee category.	Development and Training
<i>Aspect B4: LABOUR STANDARDS</i>		
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
<i>KPI B4.1</i>	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
<i>KPI B4.2</i>	Description of steps taken to eliminate such practices when discovered.	Labour Standards

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark	
<i>Aspect B5: SUPPLY CHAIN MANAGEMENT</i>			
<i>General Disclosure</i>	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
<i>KPI B5.1</i>	Number of suppliers by geographical region.	Supply Chain Management	
<i>KPI B5.2</i>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
<i>KPI B5.3</i>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
<i>KPI B5.4</i>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	
<i>Aspect B6: PRODUCT RESPONSIBILITY</i>			
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	
<i>KPI B6.1</i>	Percentage to total products sold or shipped subject to recalls for safety and health reasons.	N/A	There were no recalls concerning the provision.
<i>KPI B6.2</i>	Number of products and services related complaints received and how they are dealt with.	Product Responsibility	There were no validated complaints received during the Reporting Period.
<i>KPI B6.3</i>	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark	
KPI B6.4	Description of quality assurance process and recall procedures.	N/A	Recall procedures are not relevant to our operations.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility	
<i>Aspect B7: ANTI-CORRUPTION</i>			
<i>General Disclosure</i>	Information on (a) the policies: and (b) compliance with relevant laws and regulations that they have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcome of the cases.	Anti-Corruption	No concluded legal cases regarding corrupt practices noted
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-Corruption	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption	
<i>Aspect B8: COMMUNITY INVESTMENT</i>			
<i>General Disclosure</i>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Giving Back to the Community	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Giving Back to the Community	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Giving Back to the Community	

DIRECTORS' REPORT

The directors of the Company (the “**Directors**”) presents to the Shareholders their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machinery leasing. Details of the principal activities of its subsidiaries are set out in notes 1 and 34 to the consolidated financial statements. There was no significant change in the Group’s principal activities during the year ended 31 March 2022.

BUSINESS REVIEW

A review on the Group’s business for the year ended 31 March 2022 is set out under the section headed “Chairman’s Statement” on page 3 and “Management Discussion and Analysis” on pages 4 to 10 in this annual report.

A discussion and analysis of the Group’s performance during the Reporting Period and the material factors underlying its financial performance and financial position are set out in the “Five Year Financial Summary” on page 124 and in the “Management Discussion and Analysis” on pages 4 to 10 in this annual report.

RESULTS AND DIVIDENDS

During the Reporting Period, no interim dividend (2021: nil) has been declared and paid.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of the view that our employees, customers, sub-contractors and suppliers are the keys to the sustainable development of the Group. The Group strive to achieve corporate sustainability through engaging employees, providing quality products and services to our customers, collaborating with suppliers to deliver quality sustainable products and services and supporting our community.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group during the Reported Period, is set out under the subsection headed “Risks and Uncertainties” on page 7 in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss on page 65 of this annual report.

ANNUAL GENERAL MEETING (“AGM”)

The 2022 AGM of the Company will be held on Friday, 19 August 2022. The notice of the 2022 AGM of the Company will be published and despatched to the Shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The 2022 AGM of the Company has been scheduled to be held on Friday, 19 August 2022. For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Friday, 12 August 2022 to Friday, 19 August 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2022 AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 11 August 2022.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Group during the year ended 31 March 2022 are set out in note 14 to the consolidated financial statements in this annual report.

DONATION

During the Reporting Period, HK\$47,000 charitable donation had been made by the Group (2021: HK\$30,000).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years are set out on page 124 of this annual report.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 March 2022 are set out in note 23 to the consolidated financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2022 are set out in the consolidated statement of changes in equity on page 68 of this annual report. The Group had accumulated losses amounted to approximately HK\$7.6 million as at 31 March 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements have been entered into during the year ended 31 March 2022 or subsisted at the end of the reporting period.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

As at 31 March 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this annual report, the Directors are not aware of any change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this annual report.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Since 20 October 2017 (the “**Listing Date**”), the Company has arranged appropriate Directors' and Officers' Liability Insurance coverage for all Directors and senior management of the Company.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 21 September 2017. The principal terms of the Share Option Scheme have been summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 31 March 2022. Details of the share option scheme of the Group are set out in note 32 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 March 2022 and up to the date of this annual report were:

Executive Directors

Mr. Li Cheuk Kam
Mr. Li Wai Fong

Non-Executive Director (“NED”)

Mr. Poon Wai Kong

Independent Non-Executive Directors (“INEDs”)

Mr. Wong Chik Kong
Mr. Chan Chung Kik, Lewis
Mr. Lee Kwok Lun

The appointment and re-election of Directors are set out in the subsection headed “Appointment and Re-election of Directors” in this annual report.

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

Information regarding Directors' emoluments and the five highest paid individual's remuneration is set out in note 10 and note 11 respectively to the consolidated financial statements of this annual report. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the INEDs. The Group considers all INEDs are independent under the Listing Rules.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACT

Each of the Executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party.

Mr. Poon Wai Kong, the Non-executive Director of the Company, has entered into a service contract with the Company for a term of three years commencing from 12 October 2021 and the appointment shall be renewed automatically for successive terms of one year each commencing from the next day after the expiry of the then term of appointment unless terminated by either party giving not less than one month's notice in writing or in accordance with the articles of association of the Company.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of three years commencing from 20 September 2020 and the appointment shall be renewed automatically for successive terms of one year each commencing from the next day after the expiry of the then term of appointment unless terminated by either party giving not less than one month's notice in writing or in accordance with the articles of association of the Company.

None of the Directors who are being proposed for re-election at the forthcoming AGM has a service contract with any member of the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year ended 31 March 2022.

DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

On 10 June 2019, Lik Shing Engineering Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a lease agreement with a company wholly-owned by Mr. Li Cheuk Kam (being an Executive Director, the Chairman of the Board and the controlling shareholder of the Company under the Listing Rules), for leasing an office premises located at "Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong" for a term of three years commencing from 1 July 2019 to 30 June 2022 at a monthly rental of HK\$40,000 (exclude Government rent, rates, management fee and electricity expenses) (the "**2019 Lease Transaction**"). The 2019 Lease Transaction which had been approved by the Board on 6 June 2019 constitutes a de minimis connected transaction of the Company, that is fully exempt from the reporting, annual review, announcement, circular and shareholders' approval requirements as all the percentage ratios (other than the profits ratio because net loss incurred for the Company) are less than 5% and the total consideration is less than HK\$3,000,000. An independent professional third party has been engaged to provide a market rental value opinion.

On 10 June 2022, the Board approved to extend the lease agreement dated 10 June 2019 for a term of 3 years commencing from 1 July 2022 and ending on 30 June 2025 at a monthly rental of HK\$50,000 (exclude Government rent, rates, management fee and electricity expenses) ("**2022 Lease Transaction**").

The 2022 Lease Transaction is conducted on normal commercial terms or better and the monetary amount involved on its own fall within de minimis transactions. According to Chapter 14A.76(1)(c) of the Listing Rules, this lease transaction is fully exempt from the reporting, annual review, announcement, circular and shareholders' approval requirements as all the percentage ratios (other than the profits ratio because net loss incurred for the Company) are less than 5% and the total consideration is less than HK\$3,000,000.

DIRECTORS' REPORT

Save as disclosed above, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2022.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group since the Listing Date and up to 31 March 2022.

NON-COMPETITION UNDERTAKING

The controlling shareholders have entered into a deed on non-competition dated 21 September 2017 in favour of the Company (for itself and as trustee for each of the subsidiaries of the Group) (the "**Deed of Non-competition**"). Each of the controlling shareholders has made an annual declaration to the Company that since the Listing Date and up to 31 March 2022, he/it has complied with the terms of non-competition undertakings (the "**Non-Competition Undertakings**") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that they are not aware of any non-compliance of the Deed of Non-competition by the controlling shareholders during the financial year ended 31 March 2022.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2022, the interests and short positions in the Shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name	Capacity/nature	Total number of Shares Held/Interested	Percentage of Shares in issued
Mr. Li Cheuk Kam	Interest in a controlled corporation (Note)	484,998,000	51.94%

Note: The 484,998,000 Shares are held by Colourfield Global Limited ("**Colourfield Global**"). Mr. Li Cheuk Kam beneficially owns 100% of the entire issued share capital of Colourfield Global and is deemed, or taken to be, interested in all the Shares held by Colourfield Global for the purposes of the SFO. Mr. Li Cheuk Kam is the sole director of Colourfield Global.

DIRECTORS' REPORT

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Total number of Shares Held/Interested	Percentage of Shares in issued
Mr. Li Cheuk Kam	Colourfield Global	Beneficial owner (Note)	5	100%

Note: The 484,998,000 Shares are held by Colourfield Global Limited ("**Colourfield Global**"). Mr. Li Cheuk Kam beneficially owns 100% of the entire issued share capital of Colourfield Global and is deemed, or taken to be, interested in all the Shares held by Colourfield Global for the purposes of the SFO. Mr. Li Cheuk Kam is the sole director of Colourfield Global.

(iii) Short position

As at 31 March 2022, none of the Directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2022, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Shares of the Company

Name	Capacity/nature	Total number of Shares	Percentage of Shares in issued
Colourfield Global	Beneficial owner (Note 1)	484,998,000	51.94%
Ms. Chau Man Chun	Interest of spouse (Note 2)	484,998,000	51.94%
Great Pride Global Limited	Beneficial Owner (Note 3)	190,002,000	20.35%
Ms. Yam Yuen Nina	Interest in a controlled corporation (Note 4)	190,002,000	20.35%

Notes:

- 484,998,000 Shares are beneficially owned by Colourfield Global, which is wholly-owned by Mr. Li Cheuk Kam.
- Ms. Chau Man Chun is the spouse of Mr. Li Cheuk Kam and is deemed or taken to be interest in all the Shares in which Mr. Li Cheuk Kam has, or is deemed to have, an interest for the purposes of the SFO.
- 190,002,000 Shares are beneficially owned by Great Pride Global Limited which is wholly-owned by Ms. Yam Yuen Nina.
- 190,002,000 Shares are held by Great Pride Global Limited. Ms. Yam Yuen Nina beneficially owns 100% of the entire issued share capital of Great Pride Global Limited and is deemed, or taken to be, interested in the Shares held by Great Pride Global Limited for the purposes of the SFO.

DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2022, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries and the controlling shareholders was a party and in which a Director had a material interest subsisted during and at the end of the year ended 31 March 2022.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme of the Company, at no time during the Reporting Period was the Company, its or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and the Chief Executive (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

MAJOR CUSTOMERS AND SUPPLIERS

The approximate percentages of revenue and cost of services during the year ended 31 March 2022 attributable to the Group's major customers and suppliers are as follows:

Revenue

— the largest customer	28.0%
— five largest customers	82.7%

Purchase

— the largest supplier	11.6%
— five largest suppliers	37.6%

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the top five largest customers nor suppliers during the year ended 31 March 2022.

DIRECTORS' REPORT

KEY PERFORMANCE INDICATORS

The following table sets forth key performance indicators of the Group as at the dates or for the years indicated:

	As at or for the year ended	
	31 March	
	2022	2021
Current Ratio (Note 1)	1.8	1.7
Gearing ratio (Note 2)	7.0%	7.5%
Return on total assets (Note 3)	2.0%	-21.3%
Return on equity (Note 4)	3.7%	-41.0%
Interest coverage (Note 5)	17.7	(101.6)

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
2. Gearing ratio is calculated based on the total debts (defined as the sum of the lease liabilities, bank borrowings and obligations under finance leases) divided by the total equity as at the end of each reporting period and multiplied by 100%.
3. Return on total assets is calculated by the profit/(loss) attributable to owners of our Company for the year divided by the total assets as at the end of each reporting period and multiplied by 100%.
4. Return on equity is calculated by the loss attributable to owners of our Company for the year divided by the total equity as at the end of each reporting period and multiplied by 100%.
5. Interest coverage is calculated by the profit/(loss) before interest and tax divided by the interest for the respective year.

Current ratio

The Group's current ratio increased from approximately 1.7 times as at 31 March 2021 to approximately 1.8 times as at 31 March 2022. Such increase was primarily due to the decrease in trade and other payables as classified under current liabilities as at 31 March 2022.

Gearing ratio

The Group's gearing ratio decreased from approximately 7.5% as at 31 March 2021 to 7.0% as at 31 March 2022. The decrease was primarily due to full repayment of bank borrowings during the year ended 31 March 2022.

Return on total assets and return on equity

As at 31 March, 2022, the Group's return on total assets is approximately 2.0% (a negative return on total assets of approximately 21.3% as at 31 March 2021) and the return on equity is approximately 3.7% (a negative return on equity of approximately 41.0% as at 31 March 2021). The profit attributable to owners of the Company for the year ended 31 March 2022 is approximately HK\$4.4 million as compared to the loss attributable to owners of the Company of approximately HK\$46.4 million for the year ended 31 March 2021.

This turnaround in the results for the year ended 31 March 2022 is mainly attributable to (i) the Group has been engaged in the construction of community isolation and treatment facilities for the Hong Kong SAR Government that generated approximately HK\$47.8 million in revenue for the year ended 31 March 2022 (Nil for the year ended 31 March 2021); (ii) enhancement in the bargaining power of the Group in its negotiation with customers on the construction workdone with the gradual improvement in the Hong Kong economy and (iii) reduction in the construction cost of the Group following the implementation of cost control measures.

DIRECTORS' REPORT

Interest coverage

The Group's interest coverage improved from negative interest coverage of approximately 101.6 times as at 31 March 2021 to positive interest coverage of approximately 17.7 times as at 31 March 2022. Such improvement was primarily due to the profit attributable to owners of the company during the year ended 31 March 2022.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as disclosed in note 29 to the consolidated financial statements of this annual report, and none of which constitute a disclosable and/or connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

MARKET CAPITALISATION

As at 31 March 2022, the market capitalisation of the listed securities of the Company was approximately HK\$97,110,000 based on the total number of 933,750,000 issued shares of the Company and the closing price of HK\$0.104 per share.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares are held by the public as at the date of this annual report.

RETIREMENT SCHEME

The Group participates in a mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes for the year ended 31 March 2022.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. The Audit Committee has reviewed the audited financial statements for the year ended 31 March 2022 in conjunction with the Company's Auditors and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

INDEPENDENT AUDITORS

The consolidated financial statements for the year ended 31 March 2022 have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE CODE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 15 to 24 in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group during the Reporting Period.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company recognises its responsibility to protect the environment from its business activities. The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with the laws and regulations regarding environmental protection and adopted effective environmental practices to ensure that our business meet the required standards and ethics in respect of environmental protection. Information on environmental policies and performance of the Group are set out in the section headed “Environment, Social and Governance Report” on pages 25 to 48 in this annual report.

DIVIDEND POLICY

The Company has adopted a Dividend Policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account a number of factors, including the financial performance, the distributable reserves, the operations and liquidity position, the current and future development plans of the Company and any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

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

By Order of the Board

Wing Chi Holdings Limited

Li Cheuk Kam

Chairman

Hong Kong, 24 June 2022

INDEPENDENT AUDITOR'S REPORT



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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

To the Members of
WING CHI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wing Chi Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 65 to 123, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Accounting for construction contracts
- Impairment of trade receivables and contract assets
- Impairment of plant and equipment and right-of-use assets

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Accounting for construction contracts

Refer to note 5 to the consolidated financial statements and the accounting policies on pages 76 to 78.

The key audit matter	How the matter was addressed in our audit
<p>The Group recorded revenue from the provision of foundation and site formation works in Hong Kong approximately HK\$410,876,000 for the year ended 31 March 2022.</p>	<p>We have assessed the design, implementation and operating effectiveness of key internal controls over the contract revenue recognition processes.</p>
<p>Contract revenue is recognised progressively over time using output method, based on direct measurements of the value of services delivered and the estimated total revenue for the contracts entered into by the Group. When the outcome of a construction contract cannot be reasonably measured, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.</p>	<p>We have obtained a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements and certificate of completion stage issued by customers when assessing the estimated costs to completion made by the management.</p>
<p>Management reviews and revises the estimation of contract revenue, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses.</p>	<p>We have assessed whether the construction revenue and cost recognised was reasonable through the inspection of the certificate of completion stage issued by customers and critically challenged the forecasted costs to complete, contract costs, and the completeness and validity of provisions.</p>
<p>We identified accounting for construction contracts as a key audit matter because the estimation of the total contract revenue, total costs to complete contracts and value of works performed by the Group is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.</p>	<p>We have assessed reliability of management's assessment in forecasted costs by considering the historical actual costs and estimation of budgeted costs of completed projects.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Impairment of trade receivables and contract assets

Refer to notes 18 and 17 to the consolidated financial statements and the accounting policies on pages 84 to 87.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2022, the Group has trade receivables and contract assets of approximately HK\$21,959,000 and HK\$111,819,000 respectively.</p>	<p>Our procedures were designed to obtain and review the management's assessment of the impairment of trade receivables and contract assets.</p>
<p>We identified the impairment of trade receivables and contract assets as a key audit matter due to the significance to the Group's consolidated financial statements and the involvement of subjective judgement and management estimates based on the historical default rates, past-due status and ageing information of the grouped debtors and the forward-looking information in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.</p>	<p>We have assessed the design and implementation of key internal controls over the management estimates the loss allowance for trade receivables and contract assets.</p> <p>We have tested the accuracy of the ECL adjustment made by the Group at the end of the reporting period and the information used by management to develop the provision matrix, including trade receivables ageing analysis, on a sample basis, by comparing individual items in the analysis with the relevant contracts, invoices and other supporting documents.</p> <p>We have challenged management's basis and judgement in determining credit loss allowance on trade receivables and contract assets at the end of the reporting period, including the reasonableness of management's grouping of trade debtors into different categories of revenue in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Impairment of plant and equipment and right-of-use assets

Refer to notes 14 and 16(i) to the consolidated financial statements and the accounting policies on page 76.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2022, the carrying amount of plant and equipment and right-of-use assets were approximately HK\$41,387,000 and HK\$11,683,000 respectively. No impairment has been recognised in profit or loss for the year ended 31 March 2022.</p>	<p>Our procedures were designed to evaluate the management's assessment of the indicators of impairment and, where such indicators were identified, assessed the reasonableness of management's impairment assessment of plant and equipment and right-of-use assets.</p>
<p>We have identified impairment of plant and equipment and right-of-use assets as a key audit matter as it involves a significant degree of judgement by the management in assessing whether there are any indicators of impairment for plant and equipment and right-of-use assets at the end of the reporting period and in the estimation of recoverable amount of the plant and equipment and right-of-use assets. The determination of the recoverable amount for plant and equipment and right-of-use assets involves the use of assumptions and estimations including cash flow projections and discount rate.</p>	<p>We have assessed the design and implementation of key internal controls over the management estimates the impairment of plant and equipment and right-of-use assets.</p> <p>We have discussed and challenged with the management on the key assumptions used in the management's impairment assessment.</p> <p>We have assessed the reasonableness of key assumptions used in the impairment assessment, including the estimated cash flow projections and discount rate.</p>

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Hon Kei, Anthony

Practising Certificate Number: P05591

Hong Kong
24 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	5	421,120	411,845
Cost of sales		(391,509)	(441,413)
Gross profit/(loss)		29,611	(29,568)
Other income and gains	6	2,550	5,559
Administrative expenses		(25,813)	(21,798)
Finance costs	7	(359)	(451)
Profit/(loss) before taxation		5,989	(46,258)
Income tax expense	8	(1,621)	(97)
Profit/(loss) for the year	9	4,368	(46,355)
Earnings/(loss) per share:			
Basic and diluted	13	0.5 cents	(5.0) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Plant and equipment	14	41,387	29,444
Investment property	15	–	7,700
Right-of-use assets	16	11,683	9,601
Deposits paid for acquisition of plant and equipment		–	1,714
		53,070	48,459
Current assets			
Contract assets	17	111,819	104,162
Trade and other receivables	18	24,348	25,781
Tax recoverable		379	632
Bank balances	19	25,363	38,756
		161,909	169,331
Current liabilities			
Trade and other payables	20	84,824	93,460
Lease liabilities	16	4,197	3,399
Bank borrowings	21	–	1,736
		89,021	98,595
Net current assets		72,888	70,736
Total assets less current liabilities		125,958	119,195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Deferred tax liabilities	22	4,661	2,978
Lease liabilities	16	3,994	3,282
		8,655	6,260
Net assets		117,303	112,935
Capital and reserves			
Share capital	23	9,338	9,338
Reserves		107,965	103,597
		117,303	112,935

The consolidated financial statements on pages 65 to 123 were approved and authorised for issue by the board of directors on 24 June 2022 and are signed on its behalf by:

Li Cheuk Kam
Director

Li Wai Fong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital HK\$'000	Share Premium HK\$'000	Merger reserve (Note) HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2020	9,338	115,593	10	34,349	159,290
Loss for the year	-	-	-	(46,355)	(46,355)
At 31 March 2021 and 1 April 2021	9,338	115,593	10	(12,006)	112,935
Profit for the year	-	-	-	4,368	4,368
At 31 March 2022	9,338	115,593	10	(7,638)	117,303

Note:

Merger reserve represented the difference between the nominal value of the shares issued by the Company and the amount of issued share capital of the subsidiaries acquired pursuant to the group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation	5,989	(46,258)
Adjustments for:		
Bank interest income	–	(14)
Finance costs	359	451
(Gain)/loss on disposal of plant and equipment	(1,976)	441
Loss on written off of plant and equipment	8	–
Impairment loss (reversed)/recognised on trade receivables	(44)	267
Impairment loss recognised/(reversed) on contract assets	514	(158)
Fair value gain on investment property	–	(400)
Loss on disposal of investment property	450	–
Government grants	(2)	(780)
Depreciation of plant and equipment	12,826	11,591
Depreciation of right-of-use assets	2,965	2,600
Operating cash flows before movements in working capital	21,089	(32,260)
Increase in contract assets	(8,171)	(6,618)
Decrease/(increase) in trade and other receivables	1,477	(17,238)
(Decrease)/increase in trade and other payables	(13,086)	60,258
Decrease in restricted bank deposits	–	6,889
Cash from operations	1,309	11,031
Income taxes refunded/(paid)	315	(195)
NET CASH FROM OPERATING ACTIVITIES	1,624	10,836
INVESTING ACTIVITIES		
Purchase of plant and equipment	(20,706)	(10,736)
Deposits paid for acquisition of plant and equipment	–	(1,714)
Proceeds from disposal of plant and equipment	3,635	3,533
Proceeds from disposal of investment property	7,250	–
Interest received	–	14
NET CASH USED IN INVESTING ACTIVITIES	(9,821)	(8,903)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK\$'000	2021 HK\$'000
FINANCING ACTIVITIES		
Government grants received	2	780
New bank borrowing raised	3,000	–
Proceed from new finance lease entered	800	–
Repayment of bank borrowings	(4,736)	(147)
Repayment of lease liabilities	(3,903)	(5,100)
Interest paid for lease liabilities	(327)	(406)
Interest paid for bank borrowings	(32)	(45)
NET CASH USED IN FINANCING ACTIVITIES	(5,196)	(4,918)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,393)	(2,985)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	38,756	41,741
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances	25,363	38,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

Wing Chi Holdings Limited (“**the Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 2017. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate holding company and immediate holding company is Colourfield Global Limited, a limited company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Li Cheuk Kam (the “**Controlling Shareholder**”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company, while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machineries leasing.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”).

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

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 April 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, Hong Kong Accounting Standard (“ HKAS ”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the “four-step materiality process” described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

New and amendments to HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments to HKAS 8 introduce the definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK\$11,683,000 and HK\$8,191,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment property that is measured at fair value, at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

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

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Plant and equipment

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

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Cash and cash equivalents

Bank balances in the consolidated statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and short-term deposits, as defined above.

Government grants

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Revenue recognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

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

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

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

Contract assets

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

The Group recognised revenue from the following major sources:

- Provision of foundation and site formation works (Construction contract)
- Machineries leasing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Construction contracts

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

Where the outcome of a construction contract can be estimated reliably, revenue from contract work is recognised based on the progress of the contracts, provided that the progress contract completion and the gross billing value of contracting work can be measured reliably. The progress of a contract is established according to the certificate of completion stage issued by the customers. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Leasing

Definition of a lease

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

The Group as lessee

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Except for the right-of-use assets classified as investment property and measured as fair value model, right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line in the consolidated statement of financial position. The right-of-use asset that meet the definition of investment property is presented within “Investment property” disclosed in note 15.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation are transferred to plant and equipment.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to investment property and some of its machineries. Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Retirement benefits cost

Payments to the Mandatory Provident Fund Scheme (“**MPF Scheme**”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “Profit/(loss) before taxation” as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property and concluded that none of the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in investment property over time, rather than through sale. Therefore, the directors of the Company have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on the fair value changes of the investment property on disposal.

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

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

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

Financial assets at amortised cost (debt instruments)

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

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

(i) Amortised cost and effective interest method

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

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

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

Interest income is recognised in profit or loss and is included in the “Other income and gains” line item (Note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group concludes that the credit risk has increased significantly since initial recognition when contractual payments are more than 1 year past due by taking into account of the business cycle, industry practice and historical experience.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'low risk'. Low risk means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

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

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Taking into account of the business cycle, industry practice and historical experience, the Group considers that default has occurred when a financial asset is more than 2 years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

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

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable (included in "Trade receivables" as disclosed in note 18), the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 Leases.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Provision

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

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Judgments in determining the timing of satisfaction of performance obligations

The recognition of each of the Group's revenue stream requires judgment by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For the Group's provision of foundation and site formation works business, the directors of the Company has assessed that the Group's performance creates and enhances an asset that the customer controls as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised the revenue over the construction period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Accounting for construction contracts

Contract revenue is recognised progressively over time using output method, based on direct measurements of the value of services delivered and the estimated total revenue for the contracts entered into by the Group. Most construction works take 1 to 2 years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs by considering the historical actual costs and estimation of budgeted costs of completed projects at the commencement of the construction contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The construction works performed by the Group would be certified by the customers periodically according to the construction contracts.

When the outcome of a construction contract cannot be reasonably measured (uncertified work or unagreed income), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.

The management regularly reviews and revises the estimation of contract revenue, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses.

Onerous contracts

The Group determines whether contracts with customers are onerous contracts based on the latest available budgets of those contracts with reference to the overall contracts consideration of each contract which requires management's best estimates and judgements. Construction revenue is estimated in accordance with the terms set out in the relevant contracts. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction revenue and budgeted costs. Any change in the estimates of construction revenue or budgeted cost will affect the amount of foreseeable losses arising from onerous contracts recognised in the profit or loss in the year of the change. No provision was made for the year ended 31 March 2022 (2021: nil).

Depreciation of plant and equipment and right-of-use assets

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Right-of-use assets (i.e. motor vehicles and machineries) are depreciated using the straight-line method over the estimated useful life of the underlying assets. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and right-of-use assets (i.e. motor vehicles and machineries) and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables and contract assets

The Group uses provision matrix to calculate ECL for trade receivables and contract assets. The provision matrix is based on the Group's historical default rates taking into consideration of those grouped debtors' past-due status and their ageing information as they have similar loss patterns and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The information about the ECL on the Group's trade receivables and contract assets are disclosed in notes 18 and 17 respectively.

The carrying amount of trade receivables at 31 March 2022 is approximately HK\$21,959,000 (2021: HK\$23,880,000), net of accumulated loss allowance of approximately HK\$566,000 (2021: HK\$610,000). During the year ended 31 March 2022, reversal of impairment loss on trade receivables of approximately HK\$44,000 (2021: impairment loss of HK\$267,000) was recognised.

The carrying amount of contract assets at 31 March 2022 is approximately HK\$111,819,000 (2021: HK\$104,162,000), net of accumulated loss allowance of approximately HK\$1,380,000 (2021: HK\$866,000). During the year ended 31 March 2022, impairment loss for contract assets of approximately HK\$514,000 (2021: reversal of impairment loss of HK\$158,000) was recognised.

Impairment of plant and equipment and right-of-use assets

At the end of the reporting period, the directors of the Company review the carrying amounts of its plant and equipment and right-of use assets of approximately HK\$41,387,000 and HK\$11,683,000 (2021: HK\$29,444,000 and HK\$9,601,000). The recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as cash flow projections and discount rates. Based on the estimated recoverable amounts, no impairment has been recognised in profit or loss for the year ended 31 March 2022 (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from provision of foundation and site formation works and machineries leasing for the year. An analysis of the Group's revenue for the year is as follows:

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
— Provision of foundation and site formation works	410,876	399,615
Revenue from other sources		
— Rental income from machineries leasing	10,244	12,230
	421,120	411,845

Disaggregation of revenue from contracts with customers by timing of recognition:

	2022 HK\$'000	2021 HK\$'000
Timing of revenue recognition		
Over time	410,876	399,615
Total revenue from contracts with customers	410,876	399,615

Transaction price allocated to the remaining performance obligations for contracts with customers

As at 31 March 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$390,500,000 (2021: HK\$428,238,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 1 to 9 months (2021: 1 to 21 months).

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group's operating activity is attributable to a single operating segment focusing on the provision of foundation and site formation works and machineries leasing. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of foundation and site formation works and machineries leasing for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers presented based on the location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group presented based on the location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

Information about major customers

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

	2022 HK\$'000	2021 HK\$'000
Customer A	118,089	64,639
Customer B	111,678	133,844
Customer C	43,753	73,695
Customer D	N/A*	72,549

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

6. OTHER INCOME AND GAINS

	2022 HK\$'000	2021 HK\$'000
Bank interest income	–	14
Fair value gain on investment property	–	400
Gain on disposal of plant and equipment	1,976	–
Rental income	100	224
Government grants (Note)	2	4,902
Sundry income	472	19
	2,550	5,559

Note:

During the year ended 31 March 2022, approximately HK\$2,000 (2021: nil) was cash subsidies from the Small and Medium-sized Enterprises Financing Guarantee Scheme ("SFGS") under Anti-epidemic Fund granted by the Government of Hong Kong Special Administrative Region (the "Government") as a support in obtaining financing in the commercial lending market. The Group had complied with all attached conditions during the year ended 31 March 2022 and recognised the amounts in profit or loss in "other income and gains".

During the year ended 31 March 2021, approximately HK\$4,122,000 and HK\$140,000 (2022: nil and nil) were cash subsidies from the Employment Support Scheme ("ESS") and One-off Subsidy for Transport Trades under Anti-epidemic Fund granted by the Government respectively as part of the relief measures on COVID-19 pandemic, while approximately HK\$640,000 (2022: nil) were cash subsidies from Construction Innovation and Technology Fund granted by the Government as the support of new technology adoption in construction. The Group had complied with all attached conditions during the year ended 31 March 2021 and recognised the amounts in profit or loss in "other income and gains".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interests on:		
— bank borrowings	32	45
— lease liabilities	327	406
	359	451

8. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current year taxation		
Hong Kong Profits Tax	6	76
Over provision in prior years	(68)	–
Deferred taxation (Note 22)	1,683	21
	1,621	97

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI for the year ended 31 March 2022 (2021: nil).

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 March 2022 and 2021, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. INCOME TAX EXPENSE (Continued)

Income tax expense for the years can be reconciled to the profit/(loss) before taxation per the consolidated statement of profit or loss as follows:

	2022 HK\$'000	2021 HK\$'000
Profit (loss) before taxation	5,989	(46,258)
Tax calculated at the tax rate of 16.5% (2021: 16.5%)	988	(7,632)
Tax effect of expenses not deductible for tax purpose	815	508
Tax effect of income not taxable for tax purpose	(58)	(819)
Over provision in respect of prior years	(68)	–
Utilisation of deductible temporary differences previously not recognised	(84)	(3)
Tax effect of tax losses not recognised	56	8,164
Utilisation of tax losses previously not recognised	(2)	–
Effect of two-tiered profits tax rates regime	(16)	(111)
Effect of tax exemption granted (note)	(10)	(10)
Income tax expense for the year	1,621	97

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2021/2022 by 100% (2020/2021: 100%), subject to a ceiling of HK\$10,000 (2021: HK\$10,000) per company.

Details of deferred taxation are set out in note 22.

9. PROFIT/(LOSS) FOR THE YEAR

	2022 HK\$'000	2021 HK\$'000
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments (Note 10)	1,848	1,816
Staff costs (excluding directors' and chief executive's emoluments)		
– Salaries, wages, allowances and other benefits	111,567	99,489
– Contributions to retirement benefits scheme	3,352	3,145
Total staff costs	114,919	102,634
(Reversal of impairment)/impairment loss recognised on trade receivables	(44)	267
Impairment loss/(reversal of impairment) recognised on contract assets	514	(158)
Auditor's remuneration	870	850
Depreciation of plant and equipment	12,826	11,591
Depreciation of right-of-use assets	2,965	2,600
(Gain)/loss on disposal of plant and equipment	(1,976)	441
Loss on written off of plant and equipment	8	–
Loss on disposal of investment property	450	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of emoluments paid or payable to each of the directors and chief executive of the Company are as follows:

	Year ended 31 March 2022			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:				
Executive directors				
Mr. Li Cheuk Kam ("Mr. Li") (Note i)	-	689	18	707
Mr. Li Wai Fong	-	433	18	451
Non executive director				
Mr. Poon Wai Kong	240	-	-	240
Independent non-executive directors				
Mr. Wong Chik Kong	150	-	-	150
Mr. Chan Chung Kik, Lewis	150	-	-	150
Mr. Lee Kwok Lun	150	-	-	150
	690	1,122	36	1,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

10. DIRECTOR AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Details of emoluments paid or payable to each of the directors and chief executive of the Company are as follows:
(Continued)

	Year ended 31 March 2021			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:				
Executive directors				
Mr. Li Cheuk Kam ("Mr. Li") (Note i)	–	680	18	698
Mr. Li Wai Fong	–	410	18	428
Non executive director				
Mr. Poon Wai Kong	240	–	–	240
Independent non-executive directors				
Mr. Wong Chik Kong	150	–	–	150
Mr. Chan Chung Kik, Lewis	150	–	–	150
Mr. Lee Kwok Lun	150	–	–	150
	690	1,090	36	1,816

Note:

- (i) Mr. Li is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors of the Company have waived or agreed to waive any emoluments during the year ended 31 March 2022 (2021: nil).

Neither the chief executive nor any of the directors of the Company have received any inducement to join or upon joining the Group or compensation for loss of office during the year ended 31 March 2022 (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. EMPLOYEES EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, nil (2021: one) of them was the director and chief executive of the Company. The emolument of the director and chief executive of the Company are included in the disclosures in note 10 above. The emoluments of the remaining five individuals (2021: four individuals) were as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and other benefits	4,108	3,358
Contributions to retirement benefits scheme	85	66
	4,193	3,424

Their emoluments were within the following bands:

	2022 No. of employees	2021 No. of employees
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	1	1
	5	4

None of the five highest paid individuals have received any inducement to join or upon joining the Group or compensation for loss of office during the year ended 31 March 2022 (2021: nil).

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

13. EARNINGS/(LOSS) PER SHARE

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

	2022 HK\$'000	2021 HK\$'000
Earnings/(loss):		
— Profit/(loss) for the year attributable to the owners of the Company	4,368	(46,355)
Number of shares		
— Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share	933,750,000	933,750,000

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. PLANT AND EQUIPMENT

	Machineries and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Computer equipment HK\$'000	Total HK\$'000
COST					
At 1 April 2020	71,099	9,251	1,399	212	81,961
Additions	8,972	1,754	–	10	10,736
Transfer from right-of-use assets (Note 16)	7,100	–	–	–	7,100
Disposals	(7,104)	–	–	–	(7,104)
At 31 March 2021	80,067	11,005	1,399	222	92,693
Additions	24,701	2,040	78	51	26,870
Transfer from right-of-use assets (Note 16)	–	1,800	–	–	1,800
Transfer to right-of-use assets (Note 16)	–	(1,285)	–	–	(1,285)
Disposals	(24,121)	–	–	–	(24,121)
Written off	(410)	–	–	(53)	(463)
At 31 March 2022	80,237	13,560	1,477	220	95,494
ACCUMULATED DEPRECIATION					
At 1 April 2020	43,864	4,882	476	104	49,326
Charge for the year	9,832	1,305	410	44	11,591
Transfer from accumulated depreciation of right-of-use assets (Note 16)	5,462	–	–	–	5,462
Eliminated on disposals	(3,130)	–	–	–	(3,130)
At 31 March 2021	56,028	6,187	886	148	63,249
Charge for the year	10,580	1,723	473	50	12,826
Transfer from accumulated depreciation of right-of-use assets (Note 16)	–	960	–	–	960
Transfer to accumulated depreciation of right-of-use assets (Note 16)	–	(11)	–	–	(11)
Eliminated on disposals	(22,462)	–	–	–	(22,462)
Eliminated on written off	(410)	–	–	(45)	(455)
At 31 March 2022	43,736	8,859	1,359	153	54,107
CARRYING VALUES					
At 31 March 2022	36,501	4,701	118	67	41,387
At 31 March 2021	24,039	4,818	513	74	29,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. PLANT AND EQUIPMENT (Continued)

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

Machineries and equipment	20% per annum
Motor vehicles	20% per annum
Leasehold improvement	Over the shorter of lease term or 3 years
Computer equipment	20% per annum

15. INVESTMENT PROPERTY

	HK\$'000
FAIR VALUE	
At 1 April 2020	7,300
Increase in fair value recognised in profit or loss	400
At 31 March 2021 and 1 April 2021	7,700
Loss on disposal recognised in profit or loss	(450)
Disposal	(7,250)
As at 31 March 2022	–

The Group's property interest held under operating lease to earn rentals or for capital appreciation purposes is measured using the fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment property as at 31 March 2021 have been arrived on the basis of a valuation carried out on that date by Ascent Partners Valuation Service Limited, independent qualified professional valuers not connected with the Group. Ascent Partners Valuation Service Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. Details of valuation techniques and assumptions are discussed below. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is its current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

15. INVESTMENT PROPERTY (Continued)

During the year ended 31 March 2022, the Group entered into an agreement with an independent third party for the disposal of the investment property at cash consideration of HK\$7,250,000. The loss on disposal of HK\$450,000 is recognised in profit or loss that is attributable to the realised loss relating to disposal of investment property.

The Group's investment property had been pledged to secure banking facilities granted to the Group as at 31 March 2021. Since the investment property was disposed during the year ended 31 March 2022, the related banking facility has been released accordingly. Details are set out in note 21.

An analysis of the Group's investment property that was measured subsequent to initial recognition at fair value grouped into fair value hierarchy level 2 based on the degree to which the inputs to fair value measurement was observable and the information about how the fair value was determined (in particular, the valuation technique and key inputs used) is as follows:

	Fair value hierarchy	Fair value as at 31 March 2022	Fair value as at 31 March 2021	Valuation technique and key inputs
Investment Property	Level 2	Nil	HK\$7,700,000	Market Comparison Approach — by reference to recent selling price of comparable properties on a price per square feet basis using market data which is publicly available and adjust to reflect the conditions and locations of the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2022 HK\$'000	2021 HK\$'000
Premises	4,418	559
Motor vehicles	1,017	900
Machineries	6,248	8,142
	11,683	9,601

The Group has lease arrangement for premises, motor vehicles and machineries. The lease terms are generally over three to five years (2021: three years) for the years ended 31 March 2022.

In respect of lease arrangement for renting motor vehicles and machineries, the Group has options to purchase motor vehicles and machineries for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such lease.

Additions to the right-of-use assets for the year ended 31 March 2022 amounted to approximately HK\$4,613,000 and HK\$1,274,000, due to new leases of warehouse premises and motor vehicle respectively (2021: approximately HK\$9,469,000 due to new leases of machineries).

During the year ended 31 March 2022, the Group transferred the leased machineries of approximately HK\$840,000 (2021: HK\$1,638,000) from right-of-use assets to plant and equipment upon the end of lease terms.

During the year ended 31 March 2022, the Group transferred the leased motor vehicle of approximately HK\$1,274,000, with cost of HK\$1,285,000 less accumulated depreciation of HK\$11,000 (2021: nil), from plant and equipment to right-of-use assets at the commencement of lease term.

(ii) Lease liabilities

	2022 HK\$'000	2021 HK\$'000
Non-current	3,994	3,282
Current	4,197	3,399
	8,191	6,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(ii) Lease liabilities (Continued)

Amounts payable under lease liabilities	2022 HK\$'000	2021 HK\$'000
Within one year	4,197	3,399
After one year but within two years	1,330	3,095
After two years but within five years	2,664	187
	8,191	6,681
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,197)	(3,399)
Amount due for settlement after 12 months	3,994	3,282

For the year ended 31 March 2022, the Group entered into new lease agreements for premises and motor vehicle and recognised lease liabilities of approximately HK\$4,613,000 and HK\$800,000 (after deduction of initial payment of HK\$485,000 at the time of obtaining the legal title of the motor vehicle) respectively (2021: machineries of approximately HK\$9,469,000).

As at 31 March 2022, the lease liabilities in respect of leased motor vehicles and machineries under hire purchase agreements amounted to approximately HK\$568,000 (2021: approximately HK\$105,000) and HK\$3,163,000 (2021: approximately HK\$5,996,000) respectively was secured by the lessor's title to the leased assets. Machineries and a motor vehicle under hire purchase agreements amounted to approximately HK\$3,163,000 and HK\$568,000 (2021: approximately HK\$5,996,000 and nil) have been guaranteed by the Company and Mr. Li respectively.

(iii) Amounts recognised in profit and loss

	2022 HK\$'000	2021 HK\$'000
Depreciation on right-of-use assets		
– Premises	754	446
– Motor vehicles	317	360
– Machineries	1,894	1,794
Interest expense on lease liabilities	327	406

(iv) Others

For the year ended 31 March 2022, the total cash outflow for leases amounted to approximately HK\$4,230,000 (2021: approximately HK\$5,507,000).

Restrictions or covenants on leases

As at 31 March 2022, lease liabilities of approximately HK\$8,191,000 are recognised with related right-of-use assets of approximately HK\$11,683,000 (2021: lease liabilities of approximately HK\$6,681,000 and related right-of-use assets of approximately HK\$9,601,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. CONTRACT ASSETS

	2022 HK\$'000	2021 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts (note a)	79,345	70,590
Loss allowance	(341)	(282)
	79,004	70,308
Retention receivables of construction contracts (note b)	33,854	34,438
Loss allowance	(1,039)	(584)
	32,815	33,854
Total contract assets	111,819	104,162

Notes:

- (a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers. The balance of unbilled revenue of construction contracts is expected to be recovered within one year.
- (b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. Included in retention receivables of construction contracts of approximately HK\$5,854,000 (2021: HK\$4,572,000) is expected to be recovered after one year.

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

The Group has applied the simplified approach permitted by HKFRS 9 to measure the allowance for credit losses at lifetime ECL. The ECL on contract assets are estimated using a provision matrix by reference to historical credit loss experience, adjusted for factors that are specific to the retention receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate, at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customers, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

There has been no change in the estimation techniques or significant assumptions made during both years in assessing the loss allowance for contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. CONTRACT ASSETS (Continued)

The movement in the loss allowance of unbilled revenue is set out below:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	282	–
Increase during the year	59	282
At the end of the year	341	282

The movement in the loss allowance of retention receivables is set out below:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	584	1,024
Increase/(decrease) during the year	455	(440)
At the end of the year	1,039	584

During the year ended 31 March 2022, the change in loss allowance on retention receivables was due to the increase in expected loss rate of the retention receivables.

During the year ended 31 March 2021, the change in loss allowance on retention receivables was due to certain long ageing receivables were settled which led to the decrease in expected loss rate.

18. TRADE AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Receivables at amortised cost comprise:		
Trade receivables (Note)	22,525	24,490
Loss allowance	(566)	(610)
	21,959	23,880
Other receivables	1,241	1,118
Prepayments and deposits	1,148	783
	24,348	25,781

Note:

As at 31 March 2022, gross amount of approximately HK\$18,729,000 (2021: HK\$19,318,000) included in the trade receivables arose from the provision of foundation and site formation works in accordance with HKFRS 15.

The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 15 to 75 days to its trade customers. The following is an aged analysis of trade receivables, net of accumulated loss allowance, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of the reporting period:

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	20,131	20,093
31 to 60 days	239	1,805
61 to 180 days	1,484	1,851
181 to 365 days	105	–
Over 365 days	–	131
	21,959	23,880

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. As at 31 March 2022 and 2021, the ECL on trade receivables are estimated using a provision matrix by reference to historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate, at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customers, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group's lifetime ECL for trade receivables based on the past due ageing of customers as follows:

As at 31 March 2022	Weighted average expected loss rate %	Gross carrying amount HK\$'000	Impairment loss allowance HK\$'000
Current (not past due)	*	19,961	11
0 to 30 days	*	181	–
31 to 60 days	*	239	–
61 to 180 days	2%	1,518	34
181 to 365 days	8%	114	9
Over 365 days	100%	512	512
		22,525	566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. TRADE AND OTHER RECEIVABLES (Continued)

The Group's lifetime ECL for trade receivables based on the past due ageing of customers as follows: (Continued)

As at 31 March 2021	Weighted average expected loss rate %	Gross carrying amount HK\$'000	Impairment loss allowance HK\$'000
Current (not past due)	*	20,099	5
0 to 30 days	*	1,758	2
31 to 60 days	*	50	1
61 to 180 days	2%	1,892	41
Over 365 days	81%	691	561
		24,490	610

* The weighted average expected loss rate is less than 1%.

There has been no change in the estimation techniques or significant assumptions made during both years in assessing the loss allowance for trade receivables.

The movement in the loss allowance of trade receivables is set out below:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	610	343
(Decrease)/increase during the year	(44)	267
At the end of the year	566	610

During the year ended 31 March 2022, the change in loss allowance of trade receivables in 2022 was due to the decrease in balances of trade receivables.

For deposits and other receivables, the Group measures the loss allowance at an amount equal to 12-month ECL since the credit risk is considered to be low and there is no significant increase in credit risk during the year. The loss allowance is insignificant to the Group as at 31 March 2022 and 2021.

There has been no change in the estimation techniques or significant assumptions made during both years in assessing the loss allowance for deposits and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

19. BANK BALANCES

Bank balances carry interest at prevailing market rates of approximately 0.001% per annum (2021: 0.001% per annum) for the year ended 31 March 2022.

20. TRADE AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	60,835	67,971
Retention payables	6,010	9,315
Accrued expenses and other payables	17,979	16,174
	84,824	93,460

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by suppliers and subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 90 days in 2022 (2021: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	2022 HK\$'000	2021 HK\$'000
0 to 90 days	60,835	67,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

21. BANK BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Secured	–	1,736

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

	2022 HK\$'000	2021 HK\$'000
Within one year	–	150
More than one year but not exceeding two years	–	154
More than two years but not exceeding five years	–	487
More than five years	–	945
	–	1,736

Carrying amount of bank borrowings that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause	–	1,586
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	–	150
	–	1,736
Amounts shown under current liabilities	–	(1,736)
Amounts shown under non-current liabilities	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

21. BANK BORROWINGS (Continued)

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2022 HK\$'000	2021 HK\$'000
Floating rate — expiring beyond one year	10,000	10,000

Notes:

- (a) As at 31 March 2021, bank borrowings of approximately HK\$1,736,000 carried at floating interest rates of 2.5% below the Prime rate. The effective interest rate of floating rate bank borrowings during the year ended 31 March 2021 was 2.6% per annum.
- (b) As at 31 March 2022, the Group has unutilised banking facilities of HK\$10,000,000 which was granted in March 2021 (2021: HK\$10,000,000). Such banking facilities are guaranteed by Mr. Li and Ms. Chau Man Chun (the spouse of Mr. Li ("**Mrs. Li**")).
- (c) As at 31 March 2021, the banking facilities of the Group were secured by the mortgage charge over the investment property of the Group.

22. DEFERRED TAXATION

Deferred tax liability arising from accelerated tax depreciation recognised by the Group and movements thereon during the current and prior years was as follows:

	Accelerated tax depreciation HK\$'000
At 1 April 2020	(2,957)
Charged to profit or loss (note 8)	(21)
At 31 March 2021 and 1 April 2021	(2,978)
Charged to profit or loss (note 8)	(1,683)
At 31 March 2022	(4,661)

At 31 March 2022, the Group has approximately HK\$101,810,000 (2021: HK\$101,481,000) unused tax losses available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 31 March 2022, the Group has temporary differences of approximately HK\$2,259,000 (2021: HK\$2,769,000). No deferred tax asset has been recognised in relation to such temporary difference as it is not probable that taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

23. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	2022 HK\$'000	2021 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid				
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	933,750,000	933,750,000	9,338	9,338

Note:

All shares issued rank pari passu with all the existing shares in all respects.

24. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings disclosed in note 21, lease liabilities disclosed in note 16, bank balances disclosed in note 19, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new borrowings or the redemption of existing borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Financial assets at amortised cost (including bank balances)	49,350	64,209
Financial liabilities		
Financial liabilities at amortised cost	84,824	95,158

Financial risk management objectives and policies

The Group's major financial assets and financial liabilities include trade and other receivables, bank balances, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances (see note 19) and variable-rate bank borrowings (see note 21). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the HKD Prime lending rate (the "**Prime rate**") arising from the Group's Hong Kong dollar denominated bank borrowings.

Sensitivity analysis

The exposure to interest rates for variable-rate bank balances at the end of the reporting period is not material to the Group. As no significant impacts on the results of the Group would arise from possible changes in interest rates for variable-rate bank balances, accordingly sensitivity analysis in this respect is not presented.

The sensitivity analysis below has been determined based on the exposure of the Group's variable-rate bank borrowings to interest rates at the end of the reporting period. The analysis is prepared assuming that the financial instruments outstanding as at 31 March 2022 were outstanding for the whole reporting period. A 50 basis points (2021: 50 basis points) increase or decrease is used for the year ended 31 March 2022 when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the year ended 31 March 2021 and all other variables were held constant, the Group's post-tax loss would increase/decrease by HK\$7,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. There is no sensitivity analysis for the year ended 31 March 2022 as the amount involved is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

As at 31 March 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from bank balances, trade receivables, deposits and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Management considered the deposits and other receivables to be low credit risk and thus the measurement of the loss allowance was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the measurement of the loss allowance was limited to 12-month ECL.

As at 31 March 2022, the Group concentration of credit risk as 36% (2021: 37%) of the total trade receivables due from the Group's largest customer while 91% (2021: 83%) of the total trade receivables was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 100% (2021: 100%) of the total trade receivables as at 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management team to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Basis for recognising ECL
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watchlist	Debtor frequently repays after due dates but usually settle after due date	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit quality of the Group's financial assets and contract assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are disclosed below:

31 March 2022	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Trade receivables	(Note)	lifetime ECL (simplified approach)	22,525	(566)	21,959
Contract assets	(Note)	lifetime ECL (simplified approach)	113,199	(1,380)	111,819
Deposits and other receivables	Low risk	12-month ECL	2,028	–	2,028
				(1,946)	

31 March 2021	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Trade receivables	(Note)	lifetime ECL (simplified approach)	24,490	(610)	23,880
Contract assets	(Note)	lifetime ECL (simplified approach)	105,028	(866)	104,162
Deposits and other receivables	Low risk	12-month ECL	1,573	–	1,573
				(1,476)	

Note:

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Notes 18 and 17 include movements of the loss allowance for these assets respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank borrowings as a significant source of liquidity and the management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and the maturity profile of its lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

	At 31 March 2022					
	Weighted average interest rate %	On demand or within 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
Trade and other payables (Note 20)	-	84,824	-	-	84,824	84,824
Lease liabilities (Note 16)	2.3	4,429	1,435	2,776	8,640	8,191

	At 31 March 2021					
	Weighted average interest rate (Restated) %	On demand or within 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
Trade and other payables (Note 20)	-	93,422	-	-	93,422	93,422
Bank borrowings (Note 21)	2.6	1,736	-	-	1,736	1,736
		95,158	-	-	95,158	95,158
Lease liabilities (Note 16)	2.2	3,648	3,183	189	7,020	6,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Note:

Bank borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 31 March 2021, the aggregate undiscounted principal amounts of bank borrowings with a repayment on demand clause amounted to approximately HK\$1,736,000 (2022: nil). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$1,970,000 (2022: nil).

The directors of the Company believe that the principal and interest will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

Liquidity table	Within 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
Bank borrowings						
At 31 March 2021	192	192	576	1,010	1,970	1,736

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

Fair value measurement

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their immediate or short-term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

26. RETIREMENT BENEFITS SCHEME

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

The total cost charged to profit or loss of approximately HK\$3,388,000 (2021: HK\$3,181,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting period.

27. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group has engaged in the machinery leasing activities under operating leases. As all the leases were short-term leases, no operating lease commitments in respect of machineries as at 31 March 2022 and 2021.

The Group leases out investment property under operating leases. The investment property was expected to generate rental yield of 3% on an ongoing basis for the year ended 31 March 2021. The leases typically run for an initial period of one year. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	–	19

28. CAPITAL COMMITMENT

	2022 HK\$'000	2021 HK\$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided for in the consolidated financial statements	–	126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

29. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

(a) Compensation of key management personnel

The remuneration of the directors of the Company and key management personnel during the years ended 31 March 2022 and 2021 are as follows:

	2022 HK\$'000	2021 HK\$'000
Short-term benefits	3,474	3,959
Post-employment benefits	94	104
	3,568	4,063

The remuneration of the directors of the Company and key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

(b) Other related party transaction

- (i) One of the directors of the Company has beneficial interest in Famous Smart International (HK) Limited ("**Famous Smart**"). The below transaction was at term determined and agreed by the Company and the relevant party.

During the year ended 31 March 2021, the Group entered into a three-year lease in respect of office premises from Famous Smart. The amount of rent payable by the Group under the lease is HK\$40,000 per month. As at 31 March 2022, the carrying amount of such lease liabilities is approximately HK\$119,000 (2021: HK\$582,000). During the year ended 31 March 2022, the Group has made lease payment of approximately HK\$480,000 (2021: HK\$480,000) to Famous Smart.

- (ii) During the year ended 31 March 2022, the Group entered into a three-year lease in respect of a motor vehicle with cost of HK\$1,285,000 less accumulated depreciation of HK\$11,000 (2021: nil) under a hire purchase agreement guaranteed by Mr. Li. As at 31 March 2022, the carrying amount of such lease liability is approximately HK\$568,000 (2021: nil).
- (iii) As at 31 March 2022, the Group has unutilised banking facilities of HK\$10,000,000 which was granted in March 2021 (2021: HK\$10,000,000). Such banking facilities are guaranteed by Mr. Li and Mrs. Li.

30. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2022, the Group entered into two new lease agreements and recognised right-of-use assets for warehouse premises and motor vehicles of approximately HK\$4,613,000 and HK\$1,274,000 respectively and lease liabilities for warehouse premises and motor vehicles of approximately HK\$4,613,000 and HK\$800,000 respectively (2021: two new lease agreements and recognised right-of-use assets and lease liabilities for machineries of approximately HK\$9,469,000).
- (b) During the year ended 31 March 2022, the Group transferred the leased machineries of approximately HK\$840,000 (2021: HK\$1,638,000) from right-of-use assets to plant and equipment upon the end of lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

30. MAJOR NON-CASH TRANSACTIONS (Continued)

- (c) During the year ended 31 March 2022, the Group transferred the leased motor vehicle of approximately HK\$1,274,000 (2021: nil) from plant and equipment to right-of-use assets at the commencement of lease term.
- (d) During the year ended 31 March 2022, amount of approximately HK\$1,714,000 (2021: nil) purchase of the plant and equipment were settled by the deposits paid for acquisition of plant and equipment.
- (e) At 31 March 2022, amount of approximately HK\$4,450,000 (2021: nil) purchase of the plant and equipment was accrued and included in other payables.

31. CONTINGENT LIABILITIES

At 31 March 2022 and 2021, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and civil litigation.

In the opinion of the directors of the Company, the litigations and potential claims are not expected to have a material impact on the consolidated financial statements. Accordingly, no provision has been made to the consolidated financial statements (2021: nil).

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to written resolution of the Company passed on 21 September 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 October 2027. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The Company may not grant any options if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes exceeds 30% of the shares in issue from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

The option will be offered for acceptance for a period of not less than five trading days from the date on which the option is granted. Upon acceptance of the option, directors and eligible employees shall pay HK\$1.00 to the Company by way of consideration for the grant. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme on 21 September 2017, and there is no outstanding share option as at 31 March 2022 and 2021.

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For the year ended 31 March 2022

33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current asset			
Investments in subsidiaries	34	167,800	167,800
Less: Impairment losses		(55,636)	(55,636)
		112,164	112,164
Current assets			
Trade and other receivables		60	35
Bank balances		1,897	1,669
		1,957	1,704
Current liability			
Trade and other payables		1,318	933
Net current assets		639	771
Total assets less current liabilities		112,803	112,935
Capital and reserves			
Share capital	23	9,338	9,338
Reserves	(a)	103,465	103,597
		112,803	112,935

Note (a):

Movements in reserves

	Share Premium HK\$'000	Other reserve HK\$'000 (Note)	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2020 and 1 April 2020	115,593	74,778	(40,419)	149,952
Loss for the year	–	–	(46,355)	(46,355)
At 31 March 2021 and 1 April 2021	115,593	74,778	(86,774)	103,597
Loss for the year	–	–	(132)	(132)
At 31 March 2022	115,593	74,778	(86,906)	103,465

Note: Other reserve represents the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2022 and 2021 are as follows:

Name of company	Place of incorporation or operations	Class of shares held	Issued and fully paid ordinary share capital		Percentage of equity interest/voting power held by the Company				Principal activities
			2022	2021	2022		2021		
					Direct	Indirect	Direct	Indirect	
Infinite Merit Global Limited	the BVI	Ordinary	United States Dollars ("US\$") \$10	US\$10	100%	-	100%	-	Investment holding
Novel Sign Investment Limited	the BVI	Ordinary	US\$1	US\$1	-	100%	-	100%	Investment holding
Harvest Year Ventures Limited	the BVI	Ordinary	US\$1	US\$1	-	100%	-	100%	Investment holding
Glory Ease Ventures Limited	the BVI	Ordinary	US\$1	US\$1	-	100%	-	100%	Investment holding
Billion Talent Enterprises Limited	the BVI	Ordinary	US\$1	US\$1	-	100%	-	100%	Investment holding
Crystal Future Global Limited	the BVI	Ordinary	US\$1	US\$1	-	100%	-	100%	Investment holding
Lik Shing Engineering Company Limited	Hong Kong	Ordinary	HK\$10,000	HK\$10,000	-	100%	-	100%	Provision of foundation and site formation work and machineries leasing
Lik Shing Construction Company Limited	Hong Kong	Ordinary	HK\$1	HK\$1	-	100%	-	100%	Provision of machineries leasing
Lik Shing Construction Engineering Limited	Hong Kong	Ordinary	HK\$1	HK\$1	-	100%	-	100%	Provision of repairing service and vehicle rental service

Note:

- (a) None of the subsidiaries had any debt securities outstanding as at the end of reporting period or at any time during the report period.

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For the year ended 31 March 2022

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 April 2021 HK\$'000	Financing cash flows HK\$'000	Non-cash changes		31 March 2022 HK\$'000
			Finance costs incurred (note 7) HK\$'000	New lease recognised (note 30(a)) HK\$'000	
Liabilities					
Bank borrowings (Note 21)	1,736	(1,768)	32	–	–
Lease liabilities (Note 16)	6,681	(3,430)	327	4,613	8,191
	8,417	(5,198)	359	4,613	8,191

	1 April 2020 HK\$'000	Financing cash flows HK\$'000	Non-cash changes		31 March 2021 HK\$'000
			Finance costs incurred (note 7) HK\$'000	New lease recognised (note 30(a)) HK\$'000	
Liabilities					
Bank borrowings (Note 21)	1,883	(192)	45	–	1,736
Lease liabilities (Note 16)	2,312	(5,506)	406	9,469	6,681
	4,195	(5,698)	451	9,469	8,417

36. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure banking facilities and lease liabilities granted to the Group:

	2022 HK\$'000	2021 HK\$'000
Right-of-use assets (Note 16)	7,265	9,042
Investment property (Note 15)	–	7,700
	7,265	16,742

FIVE YEAR FINANCIAL SUMMARY

The financial summary of the Group for the last five year is set as follows:

	2022 HK\$'000	For the year ended 31 March			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	421,120	411,845	326,498	392,539	535,507
Cost of sales	(391,509)	(441,413)	(319,227)	(404,921)	(481,009)
Gross profit/(loss)	29,611	(29,568)	7,271	(12,382)	54,498
Other income and gains	2,550	5,559	697	1,251	1,409
Administrative expenses	(25,813)	(21,798)	(21,141)	(21,190)	(38,199)
Finance costs	(359)	(451)	(199)	(264)	(554)
Profit/(loss) before taxation	5,989	(46,258)	(13,372)	(32,585)	17,154
Income tax expense	(1,621)	(97)	(350)	(1,922)	(5,165)
Profit/(loss) for the year	4,368	(46,355)	(13,722)	(34,507)	11,989
Earnings/(loss) per share:					
Basic and diluted	0.5 cents	(5.0) cents	(1.5) cents	(3.7) cents	1.5 cents

	2022 HK\$'000	As at 31 March			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Assets and Liabilities					
Non-current assets	53,070	48,459	44,305	41,665	34,054
Current assets	161,909	169,331	155,339	182,467	226,610
Non-current liabilities	8,655	6,260	3,643	4,090	4,052
Current liabilities	89,021	98,595	36,711	47,030	49,093
Total equity	117,303	112,935	159,290	173,012	207,519

Note: The summary of the consolidated results of the Group for the year ended 31 March 2017 and of the consolidated assets and liabilities of the Group as at 31 March 2017 has been extracted from the prospectus issued on 30 September 2017 in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 20 October 2017.