



常滿控股有限公司

Sheung Moon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8523



ANNUAL REPORT **2021**

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

This report will remain on the “Latest Listed Company Information” page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting. This report will also be published on the Company’s website at www.smcl.com.hk.

CONTENTS

Corporate Information	3
Financial Highlights	5
Chairman's Statement	6
Management Discussion and Analysis	7
Biographical Details of Directors and Senior Management	14
Corporate Governance Report	24
Report of the Directors	44
Environmental, Social and Governance Report	66
Independent Auditor's Report	83
Consolidated Statement of Profit or loss and Other Comprehensive Income	90
Consolidated Statement of Financial Position	91
Consolidated Statement of Changes in Equity	93
Consolidated Statement of Cash Flows	94
Notes to the Consolidated Financial Statements	96
Summary of Major Investment Property	160

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Sze Wo (*Chairman*)

Mr. Lai Yung Sang

Independent non-executive Directors

Dr. Wong Kwok Yiu Chris

Mr. Wong Choi Chak

Mr. Leung Kim Hong

COMPANY SECRETARY

Ms. Chau Hing Ling

COMPLIANCE OFFICER

Mr. Tang Sze Wo

BOARD COMMITTEES

Audit committee

Mr. Wong Choi Chak (*Chairman*)

Dr. Wong Kwok Yiu Chris

Mr. Leung Kim Hong

Nomination committee

Mr. Leung Kim Hong (*Chairman*)

Dr. Wong Kwok Yiu Chris

Mr. Wong Choi Chak

Remuneration committee

Dr. Wong Kwok Yiu Chris (*Chairman*)

Mr. Wong Choi Chak

Mr. Leung Kim Hong

Risk management committee

Mr. Wong Choi Chak (*Chairman*)

Mr. Tang Sze Wo

Dr. Wong Kwok Yiu Chris

Mr. Leung Kim Hong

AUTHORISED REPRESENTATIVES

Mr. Tang Sze Wo

Ms. Chau Hing Ling

COMPANY'S WEBSITE

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AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

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88 Queensway

Hong Kong

COMPLIANCE ADVISER

LY Capital Limited

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
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Hong Kong

China Construction Bank (Asia)
Corporation Limited
CCB Tower
3 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

8523

FINANCIAL HIGHLIGHTS

A summary of the results and assets and liabilities of the Group for the following financial years are disclosed below:

CONSOLIDATED RESULTS

	For the year ended 31 March				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000 (Note i)	2020 HK\$'000 (Note ii)	
Revenue	89,977	246,194	335,036	584,373	468,620
Profit before taxation	12,396	13,434	29,743	35,456	21,215
Profit for the year	<u>9,744</u>	<u>8,777</u>	<u>24,763</u>	<u>28,905</u>	20,647
Earnings per share (HK cents per share)					
Basic	<u>4.10</u>	<u>3.19</u>	<u>6.19</u>	<u>7.23</u>	5.16
Diluted	<u>4.10</u>	<u>3.19</u>	<u>N/A*</u>	<u>N/A*</u>	N/A*

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000 (Note i)	2020 HK\$'000 (Note ii)	
Non-current assets	32,348	57,218	83,779	132,146	130,490
Current assets	<u>51,477</u>	<u>141,349</u>	<u>181,802</u>	<u>242,754</u>	252,266
Total assets	<u>83,825</u>	<u>198,567</u>	<u>265,581</u>	<u>374,900</u>	382,756
Non-current liabilities	(18,812)	(14,608)	(13,047)	(19,518)	14,345
Current liabilities	<u>(31,188)</u>	<u>(73,656)</u>	<u>(117,621)</u>	<u>(191,564)</u>	183,946
Total liabilities	<u>(50,000)</u>	<u>(88,264)</u>	<u>(130,668)</u>	<u>(211,082)</u>	198,291
Net assets	<u>33,825</u>	<u>110,303</u>	<u>134,913</u>	<u>163,818</u>	184,465

* Not applicable

Note i: Since 1 April 2018, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments" issued by the Hong Kong Institute of Certified Public Accountants, without restating comparative information. Accordingly, certain comparative information for the years ended 31 March 2017 and 2018 may not be comparable to those information for the year ended 31 March 2019.

Note ii: Since 1 April 2019, the Group has applied HKFRS 16 "Leases" issued by the Hong Kong Institute of Certified Public Accountants, without restating comparative information. Accordingly, certain comparative information for the years ended 31 March 2017, 2018 and 2019 may not be comparable to those information for the year ended 31 March 2020.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to report the annual results of the Group for the year ended 31 March 2021.

For the year ended 31 March 2021, the Group recorded revenue of approximately HK\$468.6 million, representing a decrease of approximately 19.8% as compared with the last corresponding year. For the year ended 31 March 2021, the Group's profit was HK\$20.6 million, representing a decrease of 28.7% as compared with the last corresponding year. The Board does not recommend payment of a final dividend for the year ended 31 March 2021 (2020: nil).

FORWARD

The Directors are optimistic that the Group's construction business will remain strong and continue to grow with tremendous potentials. With a proven track record and strong foothold in the industry, the Group will endeavor to maintain a steady growth in its construction business so as to maximise the return of the Company's shareholders. Besides, Director and management of the Group are constantly looking for other opportunities which might increase the profitability and potential earnings of the Group.

APPRECIATION

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

Tang Sze Wo

Chairman

22 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a local contractor in the civil engineering construction industry and is principally engaged in the provision of site formation works, road and drainage works as well as structural works in both public and private sectors in Hong Kong. The Group is an approved contractor of the government of Hong Kong Special Administrative Region (the “**Government**”), a registered general building contractor and a specialist contractor (site formation works) with the Hong Kong Buildings Department.

The following table sets out the number of contracts awarded to and completed by the Group and the aggregate contract sum during the period under review:

	Number of Contracts	Aggregate contract sum^(Note) HK\$' million
As at 1 April 2020		
Existing contracts	22	791.9
During the year ended 31 March 2021		
Contracts completed	(5)	(110.7)
New contracts awarded	30	429.5
	<u>47</u>	<u>1,110.7</u>
As at 31 March 2021		
	<u>47</u>	<u>1,110.7</u>

Note: The aggregate contract sum is based on a total of all contract sums stated in the initial agreements between the Group's customers and the Group. It does not include additions and modifications due to subsequent variation orders. The final revenue recognised from a contract may differ from the contract sum initially agreed between the contracting parties.

During the year under review, the COVID-19 has severely hit the local economy. Although there were signs of improvement in containing the coronavirus in the first half of the year, the situation suddenly turned worse in the second half of the year. Number of confirmed cases as well as death cases soared absurdly in the last two quarters. In view of the severity, the Government has further tightened the quarantine measures and social distancing restrictions on the movements of people within the city. In response, the management of the Group also strengthened its preventive measurements against the COVID-19 to ensure all staff and workers were well protected against the infection of COVID-19 by providing them a safety and healthy working environment. The business activities of the Group have not been severely interrupted by the outbreak of the COVID-19 pandemic and the Group's construction projects were in good progress during the year under review.

During the year under review, the Group received subsidies of approximately HK\$20.0 million from the Government, mainly for the wage subsidy granted under the Employment Support Scheme (“**ESS**”), an anti-epidemic fund launched by the Government aimed to save the local economy which has been severely hit by the outbreak of COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

A tender department has been established by the Group in the third quarter of the year with the aim of providing the management with more accurate cost estimation and appropriate contract terms for tendering of private and public construction projects.

As mentioned earlier in the Company's published financial reports, Sheung Moon Construction Limited, a wholly-owned subsidiary of the Company, received six summons on 10 July 2020 which required the company to appear before the court to answer the charges of (1) failure to ensure that safety audits were conducted not less than once within a specified period of time as required by law; (2) failure to provide information, instructions, trainings and supervision to ensure the health and safety of site workers; and (3) failure to effectively guard the dangerous parts of site machines as required by law after a safety inspection had been conducted by the Labour Department on the site of Tseung Kwan O 137 during the year under review. Final judgements have been handed down by the court on 12 May 2021 which required Sheung Moon Construction Limited to pay penalties in sum of HK\$30,000. The company settled the amount of penalty in full on 14 May 2021.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$115.8 million, or 19.8%, from approximately HK\$584.4 million for the year ended 31 March 2020 to approximately HK\$468.6 million for the year ended 31 March 2021. Such decrease was primarily due to the reduction in revenue as a result of completion of a major project during the year under review. Some of the existing on-going projects were still at their initial stages and they were unable to generate sufficient revenue in time to cover the deficiency in revenue normally contributed by the completed project. In addition, the amount of variation orders completed during the last quarter of the year were significantly less than the corresponding period of last year.

Direct Costs

Direct costs primarily comprised subcontracting fee, direct labour cost, construction materials, rental of site equipment, depreciation of site equipment, petrol consumption as well as transportation expenses. Direct cost decreased by approximately HK\$82.4 million, or 15.5%, from approximately HK\$530.2 million for the year ended 31 March 2020 to approximately HK\$447.8 million for the year ended 31 March 2021. As construction activities decreased, less direct costs of materials and petrol consumption were incurred to produce the corresponding revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

As a result of the decrease in revenue and direct cost, the Group's gross profit decreased by approximately HK\$33.3 million, or 61.6%, from approximately HK\$54.1 million for the year ended 31 March 2020 to approximately HK\$20.8 million for the year ended 31 March 2021. Such decrease was due to the increase in depreciation charges as a result of additional purchase of site equipment and trucks for construction projects during the year under review. Gross profit margin dropped from 9.3% for the year ended 31 March 2020 to 4.4% for the year ended 31 March 2021. Such decrease was attributable to the rise in cost of construction materials as prices of concrete, steel and timber surged rapidly during the year under review. Besides, the increase was also due to the rise in subcontracting cost in dealing with the rebar fixing, formboard erecting and concreting works during the epidemic. The Group subcontracted out these works in order to maintain works flexibility and productivity. There were also increase in expenses in repairing and maintaining the Group's construction equipment and motor vehicles as well as increase in overhead expenses to cope with the health and safety measures in sites due to the outbreak of the COVID-19 pandemic during the year under review.

Other Income

Other income for the year ended 31 March 2021 mainly comprised subsidy of HK\$20.0 million received from the Government under the ESS launched in May 2020. The subsidy aimed to help employers in Hong Kong to retain their employees during the economy slowdown caused by the COVID-19 pandemic. Besides, other income also comprised interest income from bank deposits and rental income from the Group's investment property.

Other income for the year ended 31 March 2021 increased by approximately HK\$21.2 million or 3,028.6% from approximately HK\$0.7 million for the year ended 31 March 2020 to approximately HK\$21.9 million for the year ended 31 March 2021. Such increase was mainly due to the subsidy of approximately HK\$20.0 million received from the Government under the ESS during the period under review. The Group also received project management fee of approximately HK\$0.5 million in relation to management services provided for some of the construction projects and income of approximately HK\$0.2 million received from the insurance company for compensation of a damaged motor vehicle under the Group's insurance coverage and other miscellaneous income in aggregate of approximately HK\$0.4 million received from the Group's operating activities.

Other Gains and Losses

The Group recorded other losses of HK\$0.9 million arising from the fair value loss of the Group's investment property and loss upon written off of right-of-use assets for the year ended 31 March 2021 as compared to the fair value loss of approximately HK\$1.3 million in last year on the Group's investment property.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses increased by approximately HK\$2.8 million or 20.9% from approximately HK\$13.4 million for the year ended 31 March 2020 to approximately HK\$16.2 million for the year ended 31 March 2021. The increase was mainly due to: (1) the increase in employees' salaries and welfare so as to maintain the Group's competitiveness in the industry; (2) more overhead expenses were incurred as a result of moving to the new office with larger space as well as extra cost incurred in purchasing sanitation materials for office; and (3) additional employees were recruited for a new Tender Department established during the year under review.

Finance Costs

Finance costs increased by approximately HK\$0.6 million or 16.2% from approximately HK\$3.7 million for the year ended 31 March 2020 to approximately HK\$4.3 million for the year ended 31 March 2021. The increase was mainly due to the increase in bank interest as a result of increase in mortgage loans to finance the purchase of a new commercial property purchased in February 2020 for use as the Group's principal place of business in Hong Kong, and there were more drawdowns of bank loans to cope with the great demand for funds required by the construction business.

Taxation

Taxation expenses decreased by approximately HK\$6.0 million or 90.9% from approximately HK\$6.6 million for the year ended 31 March 2020 to approximately HK\$0.6 million for the year ended 31 March 2021. Such decrease was due to the decrease in assessable profits and deferred taxation for the year ended 31 March 2021 as compared to last year.

As a result of the above, the Group recorded a profit of approximately HK\$20.6 million for the year ended 31 March 2021, a decrease of HK\$8.3 million, or 28.7%, as compared to last year (year ended 31 March 2020: approximately HK\$28.9 million).

PROSPECT

Evidence shows that countries with high rate of COVID-19 vaccination tend to be recovered quicker in economy and livelihood than those countries with low vaccination rate as people are better immune from the COVID-19 virus after taking the vaccines. As the COVID-19 vaccines have already been available for the people in Hong Kong, it is believed that the epidemic will finally be brought under control when more and more people get vaccinated. The construction industry will gradually return back to the situation before the outbreak.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors believe the most effective way to stimulate the economic growth after the epidemic is to increase the infrastructure investments. This belief is also in line with the economic policy constantly pursued by the Government. After the epidemic is over, both the public and private sectors will begin to implement their infrastructure and housing construction projects. The construction industry and the labour market will be benefited from such actions.

For the above reasons, the Directors are optimistic that the Group's construction business will remain strong and continue to grow with tremendous potentials. With a proven track record and strong foothold in the industry, the Group will endeavour to maintain a steady growth in its construction business so as to maximise the return of the Company's shareholders (the "Shareholders").

Liquidity and Financial Resources

During the year under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. Details of bank borrowings at 31 March 2021 were set out in note 22 to the consolidated financial statements. As at 31 March 2021, the Group had a healthy financial position with net assets amounted to approximately HK\$184.5 million (31 March 2020: approximately HK\$163.8 million). Net current assets stood at approximately HK\$68.3 million (31 March 2020: approximately HK\$51.2 million). As at 31 March 2021, the Shareholders' equity amounted to approximately HK\$184.5 million (31 March 2020: approximately HK\$163.8 million).

Current assets amounted to approximately HK\$252.3 million (31 March 2020: approximately HK\$242.8 million), mainly comprising trade and other receivables, contract assets, amount due from a joint operation, bank balances and cash (excluding pledged bank deposits of HK\$21.2 million which has been classified as non-current asset (31 March 2020: HK\$21.2 million)). Increase in current assets was mainly attributable to the increase in contract assets (works performed but not yet certified by architect) as at 31 March 2021.

Current liabilities amounted to approximately HK\$183.9 million (31 March 2020: approximately HK\$191.6 million), mainly comprising trade and other payables and accruals, contract liabilities, tax payable and bank borrowings and lease liabilities. Decrease in current liabilities was mainly due to the decrease in trade and other payables and tax payable as a result of decrease in operating profits generated from construction activities. Besides, there were also decrease in lease liabilities as a result of repayment of leased assets.

As at 31 March 2021, the Group's bank balances and cash (including pledged bank deposits of approximately HK\$21.2 million) amounted to approximately HK\$43.6 million (31 March 2020: approximately HK\$49.0 million). The decrease in bank balances and cash was due to the repayments of part of the bank loans and lease liabilities before the end of the year under review. Net asset value per Share was HK\$0.46 as at 31 March 2021 (as at 31 March 2020: HK\$0.41).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2021, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings and lease liabilities to total equity, was 65.1% (31 March 2020: 72.1%). Such decrease was mainly due to the repayment of part of the bank loans and lease liabilities before the end of the reporting period. The unutilised bank facilities was amounted to approximately HK\$1.5 million as at 31 March 2021.

As the Company is listed on the GEM of the Stock Exchange, the Group's source of funds can further be satisfied by using a combination of cash generated from operating activities, bank loans and other fund raised from the capital markets from time to time.

Capital Structure

As at 31 March 2021, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from banks, lease liabilities and equity attributable to owners of the Group, comprising issued share capital, share premium, retained profits and other reserves. Borrowings from banks were mainly denominated in Hong Kong dollars and were secured by pledged bank deposits and investment property. Details of pledged bank deposits as at 31 March 2021 are set out in note 20 to the consolidated financial statements.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2021, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Significant Investments Held

As at 31 March 2021, the Group did not have any significant investments held (31 March 2020: nil).

Charges on the Group's Assets

As at 31 March 2021, the Group's property, plant and equipment and right-of-use assets with an aggregate carrying amount of approximately HK\$57.9 million (31 March 2020: approximately HK\$64.0 million) was pledged to finance equipment purchases, while investment property of approximately HK\$12.4 million (31 March 2020: approximately HK\$13.0 million) and bank deposits of approximately HK\$21.2 million (31 March 2020: approximately HK\$21.2 million) were pledged to secure bank borrowings for financing the Group's operating activities.

Foreign Exchange Exposure

The Group's operating activities such as revenue, direct costs, expenses, monetary assets and liabilities are all transacted and denominated in Hong Kong dollars. The Group currently has no foreign currency hedging policy as the exposure to foreign exchange risk is rare. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 31 March 2021, the Group did not have any material contingent liabilities (31 March 2020: nil).

Capital Commitment

As at 31 March 2021, the Group did not have any significant capital commitment (31 March 2020: nil).

Future Plans for Material Investments and Capital Assets

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

Employees and Remuneration Policies

As at 31 March 2021, the Group had a total staff (including the Directors) of approximately 450 employees (as at 31 March 2020: 420). Total staff cost including Directors' remuneration for the year ended 31 March 2021 amounted to approximately HK\$162.9 million (for the year ended 31 March 2020: approximately HK\$152.6 million). The remuneration package offered by the Group to its employees includes salaries and discretionary bonuses. In general, the Group determines employee salaries based on individual employee's qualifications, position and seniority. Employees performance will be assessed annually, which forms the basis of the Group's decisions with respect to salary increment, discretionary bonuses and promotions.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the end of the reporting period and up to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang Sze Wo (鄧仕和) (“**Mr. SW Tang**”), aged 60, is our executive Director, chairman of the Board and compliance officer. Mr. SW Tang is primarily responsible for overall planning and strategic development and financial management of the Group. He founded the Group in February 1997. Prior to this, he was employed by Shun Yip Construction Co., Limited from March 1984 to January 1994, mainly responsible for supervision and training. From January 1994 to December 1996, he was employed as a general foreman by Hongkong Macau (Holding) Limited, responsible for the management and supervision of various building development projects in Hong Kong and the PRC. He was an independent non-executive director of Keen Ocean International Holding Limited, a company listed on the Stock Exchange (stock code: 8070) from February 2016 to June 2017.

Mr. SW Tang obtained a Master of Construction Engineering and Management from the Griffith University in Australia in April 2002. He obtained a Bachelor of Science in Construction Project Management with honours from the University of Central Lancashire in June 2005. He was also awarded the Certificate in Legal Studies in July 2006 and the Diploma in Legal Studies in September 2007 from the University of Hong Kong School of Professional and Continuing Education. Mr. SW Tang was admitted as a member of the Hong Kong Institution of Engineers in May 2007 and a registered professional engineer (civil) of the Engineers Registration Board of Hong Kong in September 2008. He was appointed as a member of the Registered Contractors’ Disciplinary Board Panel between June 2008 and June 2011. In January 2015, he was appointed as the vice president of The Hongkong Registered Contractors Association and the chairman of Water Supplies, a sub-group of The Hongkong Registered Contractors Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai Yung Sang (黎容生), aged 53, is our executive Director and chief executive officer. Mr. Lai is primarily responsible for general operations and construction project management of the Group. He received a Certificate in Civil Engineering from the Haking Wong Technical Institute in Hong Kong in October 1992 and a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995. He further obtained Industrial Centre Training Certification in Metal Scaffolding from the Hong Kong Polytechnic University in January 2002 and a Certificate for Safety Supervisor from the HSE Training Centre in December 2005. He joined the Group in October 2014 as our deputy general manager primarily responsible for preparing and submissions of tenders for potential projects and was promoted as our general manager in August 2015. His employment history prior to this is set out below:

Period	Company	Position	Responsibilities
August 1988 – May 1991	Sho Bond (Hong Kong) Ltd., a company engaging in construction of waterproofing, concrete repairing and finishing works	Works supervisor	Management of project progress
July 1991 – June 1992	Shui On Civil Contractors Ltd., a company engaging in construction of submachine outfall	Assistant site administrator	Administrative support

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
July 1992 – March 1995	The Express Builders Co., Ltd., a company engaging in construction of formation and foundation works	Construction site engineer	Project management including the management and issuing of project process and co-ordination and meeting with sub-contractors, contractors, consultants and clients
April 1995 – March 1997	Well Technology Engineering Co., Ltd., a company engaging in construction of structural and pipe works	Site engineer	Project management including the management and issuing of project process and co-ordination and meeting with sub-contractors, contractors, consultants and clients
August 1997 to January 2003	Kin Lee Ko Construction Co., Ltd., a company engaging in construction of site formation, structural and road and drainage works	Site agent	Project management including preparation of quotations and tenders, managing and issuing of project progress, co-ordination with sub-contractors, contractors, consultants and clients
February 2003 – July 2015 ^(note)	Kin Lee Civil Engineering Co., Ltd., a company engaging in construction of site formation and structural works	Site agent	Project management including preparation of quotations and tenders, managing and issuing of project progress, co-ordination and meeting with sub-contractors, contractors, consultants and clients

Note: From October 2014 to July 2015, Mr. Lai also worked with Kin Lee Civil Engineering Co., Ltd., on a part-time basis to mainly attend to any follow-up works of a completed project.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Kwok Yiu Chris (王國耀), aged 62, was appointed as our independent non-executive Director on 24 January 2018. Since returning from the United Kingdom in 1992, he has been an specialist in Cardiology at the Heart Center of the Hong Kong Adventist Hospital since December 1992. Dr. Wong has been an Honorary Consultant in Cardiology of St. Paul's Hospital since 1995, where he assisted with the planning and acquisition of a new Cardiac Catheterization Laboratory with full electrophysiology capability; and of the Hong Kong Sanatorium & Hospital since January 1999. He obtained a Bachelor of Medicine and Bachelor of Surgery from the University of Glasgow in July 1983 and has been a member of the Royal Colleges of Physicians of the United Kingdom since November 1986. He was further admitted as a member of the North American Society of Pacing & Electrophysiology in 1991, and of the British Medical Association in 1992.

Dr. Wong was elected to fellowship of the Hong Kong College of Physicians and the Hong Kong Academy of Medicine in 1992 and 1993, respectively. In 1993, he was also elected to fellowship of the Hong Kong College of Cardiology, in which he had held different positions in the council including the honorary treasurer, the honorary secretary, the president elect and the president. Dr. Wong was further elected to fellowship of the Royal College of Physicians of Edinburgh in 1996; the Royal College of Physicians and Surgeons of Glasgow in September 1999, having been a member of the same since 1987; the Royal College of Physicians of London in 2002; as well as the European Society of Cardiology where he served as the Governor between 2011 and 2016 and the American College of Cardiology in 2012, respectively. Dr. Wong was a non-executive director of Aptus Holdings Limited, a company listed in the Stock Exchange (stock code: 8212) between January 2002 and August 2004. Since 2012, Dr. Wong has served as the vice-president of the New Life Psychiatric Rehabilitation Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Choi Chak (黃在澤), aged 56, was appointed as our independent non-executive Director on 24 January 2018. Mr. Wong has worked for various listed companies for over 23 years primarily responsible for financial projection, financial control and accounting matters. Mr. Wong is currently the director in finance of China Vered Financial Holding Corporation Limited (formerly known as China Minsheng Financial Holding Corporation Limited) (stock code: 245) on a full-time basis. He was an independent non-executive director of Keen Ocean International Holding Limited (stock code: 8070) from February 2016 to March 2019. From 1992 to 1998, he worked in Lippo Limited (stock code: 226) with his last position as the general accountant. He was the chief senior accountant in Paradise Entertainment Limited (formerly known as LifeTec Group Limited) (stock code: 1180) from June 1999 to March 2000. From March 2000 to October 2001, he was the accounting manager of Yu Tak International Holdings Limited (formerly known as Hong Kong Jewellery Holdings Limited) (stock code: 8048). He was the senior finance manager in Soundwill Holdings Limited (stock code: 878) from July 2002 to June 2003. He was also the financial controller and company secretary of De Team Company Limited (stock code: 65) from October 2003 to January 2015. All of the above companies are listed on the Stock Exchange. Mr. Wong obtained a bachelor's degree in Business Accounting from the University of Lincolnshire & Humberside, England in June 2000. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in May 2000 and a fellow member of the Association of Chartered Certified Accountants in April 2015.

Mr. Leung Kim Hong (梁劍康), aged 41, was appointed as our independent non-executive Director on 24 January 2018. Mr. Leung was employed with the last position as a graduate engineer by Maunsell Consultants Asia Ltd. and its group companies between July 2002 and February 2007 and acted as a licensed representative of Angus Moore Limited between July 2007 and July 2008. In July 2009, he was engaged by T G Holborn (HK) Limited as a consultant and since July 2013 he worked in KGI Hong Kong Limited and its associate companies with the last position as an investment representative. He had been a full-time consultant at Target Capital Management Ltd. between December 2016 and March 2018, responsible for asset management. Mr. Leung graduated from the University of Hong Kong with a Bachelor of Engineering in Civil Engineering in December 2002 and from the Chinese University of Hong Kong with a Master of Business Administration (Weekend Mode) in November 2015. Mr. Leung was conferred by CFA Institute as a Chartered Financial Analyst in March 2013, by Global Association of Risk Professionals as a Financial Risk Manager in April 2010. He has also been a member of The Hong Kong Institution of Engineers since March 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Kan Wai On Thomas (簡維安), aged 58, joined the Group as a project manager in April 2017. Mr. Kan is primarily responsible for planning and project management. He obtained a Certificate in Civil Engineering Studies from the Haking Wong Technical Institute in September 1991 and a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995. Mr. Kan obtained the Certificate for Safety Supervisor from the HSE Training Centre in September 2007 and the Construction Industry Safety Training Certificate from the Hong Kong Human Resources Ltd in April 2016. Mr. Kan's employment history prior to joining the Group is set out below:

Period	Company	Position	Responsibilities
February 1992 – May 1995	Gammon Construction Ltd, a company engaging in construction of G1 works and providing technical advice	Senior technician	Monitoring site works and safety
May 1995 – January 1998	Chung Wah Machine Well Eng. Ltd, a company engaging in construction of ground investigation work and piling work	Site agent	Monitoring site works and safety
February 1998 – September 2002	City Geo.Eng. Co., Ltd., a company engaging in site investigation and gravity works	Site agent	Monitoring site works and safety
February 2002 – September 2006	Falcon Construction Engineering Ltd., a company engaging in construction of gravity, piling and foundation works	Supervisor	Monitoring site works and safety
October 2006 – September 2007	Chesco Engineering Ltd., a company engaging in construction of gravity, piling and foundation works	Site agent	Monitoring site works and safety

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
October 2007 – October 2010	Falcon Foundation Engineering Company Limited, a company engaging in construction of ground treatment and piling foundation work	Senior supervisor	Monitoring site works and safety
October 2010 – August 2011	China National Chemical Engineering Group Corporation, a company engaging in construction of cyclor track and formation work	Senior supervisor	Preparing the work program and materials
August 2011 – October 2016	Win Win Way Construction Company Ltd, a company engaging in construction of site investigation piling and foundation including building works	Site agent	Preparing the work program and materials
December 2016 – April 2017	Leadtops Raymond Limited, a company engaging in building and formation work	Consultant inspector	Inspecting work progress

Mr. Ho Wai Cheong (何偉昌), aged 53, is the senior quantity surveyor of the Group, responsible for quantity surveying of civil projects. Mr. Ho obtained a diploma in Surveying (Quantity Surveying) from the College of Estate Management in February 1994, a Higher Diploma in Building Technology and Management from the Hong Kong Polytechnic University in November 1990. He joined the Group in March 2017 as a senior quantity surveyor. Mr. Ho's employment history prior to joining the Group is set out below:

Period	Company	Position	Responsibilities
June 1992 – June 1995	Acer Freeman Fox Consultant TW74/90, a company engaging in government projects	Surveyor officer (quantity)	Preparing final accounts and contract claims; liaising with contractors
June 1996 – June 1997	Balfour Beatty Limited, a company engaging in railway projects	Project quantity surveyor	Post contract, cost control and project administration
June 1998 – June 1999	Downer Construction Ma On Shan Reservoir and Associated, a company engaging in government water works	Project quantity surveyor	Post contract, cost control and final accounts

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
April 2000 – May 2002	(HKACEJV – CC 213), a company engaging in railway projects	Building quantity surveyor	Post contract sub-contractor management and contract claims
May 2005 – August 2010	China International Water & Electricity Corporation, a company engaging in government projects	Project quantity surveyor	Negotiating contracts; project cost control; obtaining permits; preparing temporary traffic arrangement designs
July 2011 – July 2013	Kwan Lee Construction Ltd, a company engaging in drainage projects of the government	Senior quantity surveyor	Preparing final accounts; negotiating settlements
June 2014 – October 2016	Chevalier Construction HK, a company engaging in waterworks projects	Senior quantity surveyor	Preparing final accounts and contract claims submission and settlement

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Sek Wai Kit (石偉杰), aged 39, is the senior accounting manager of the Group, responsible for financial control of the Group. Mr. Sek received a Bachelor of Business Accounting from the Australia Catholic University in November 2004. He has been a member of CPA Australia since September 2009. Mr. Sek joined the Group as an accountant in November 2016. Mr. Sek is an independent non-executive director of Asia-Pac Financial Investment Company Limited, a company listed in the Stock Exchange (stock code: 8193) since October 2020. His employment history prior to joining the Group is set out below:

Period	Company	Position	Responsibilities
November 2004 – March 2006	Chan, Seing & Company, a company engaging in accounting, audit and tax services	Junior audit assistant	Providing audit, taxation and accountancy services for trading, property investment and manufacturing companies; client management
May 2006 – May 2011	Y. W. Ip & Company, a company engaging in accounting, audit and tax services	Senior audit assistant	Providing audit, taxation and accountancy services for and reviewing internal control systems of trading, property investment and manufacturing companies incorporated in Hong Kong and China; drafting audit report and consolidated financial statements in statutory format; preparing audit planning memorandum and audit highlights; supervising junior colleagues
July 2011 – March 2014	Wing Tai Properties (Hong Kong) Limited, a company engaging in property development	Internal auditor	Preparing risk assessment for the audit projects; performing internal control, operational and financial reviews; drafting internal audit reports; supervising the internal audit assistants

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
March 2014 – March 2016	Hong Kong Red Cross	Internal audit officer	Preparing risk assessment; performing internal control and operational reviews; drafting internal audit reports
April 2016 – November 2016	China Technical Markets Limited, a company engaging in construction	Accountant	Preparing account and financial statements; providing analysis of bar-bending construction work; handling monthly payroll; preparing budgets

Mr. Tse Wai Chun (謝維俊), aged 30, is the accounting manager of the Group and is responsible for accounting management. He joined the Group as an accountant in March 2015, responsible for handling accounts and customer relations. He obtained a Certificate in Disciplinary Forces from the Lingnan Institute of Further Education in July 2011 and is currently pursuing an Advanced Diploma in Accounting at the University of Hong Kong School of Professional and Continuing Education. He was an administrative assistant of Best Global Asia Pacific Limited between November 2012 and November 2014, responsible for stock management, data collection and organisation and customer relations.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 March 2021.

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the Shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

During the year ended 31 March 2021, the Company has complied with the code provisions of the CG Code as set out in Appendix 15 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 March 2021.

BOARD OF DIRECTORS

Up to the date of this annual report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Tang Sze Wo (*Chairman*)
Mr. Lai Yung Sang

Independent non-executive Directors

Dr. Wong Kwok Yiu Chris
Mr. Wong Choi Chak
Mr. Leung Kim Hong

The biographical details of all Directors are set out on pages 14 to 18 of this annual report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs.

The Board sets strategies and directions for the Group’s activities with a view to developing its business and enhancing Shareholders’ value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board’s policies and strategies to the executive Directors and management of the Group.

CORPORATE GOVERNANCE REPORT

Board meetings and Board practices

The Board will conduct at least four regular meetings a year. At least a 14-day notice will be given to all Directors before convening the Board meeting. All related information will be submitted to the Directors at least three days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "**Articles**"). All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the year ended 31 March 2021, four Board meetings were held. Details of the attendance of Directors are as follows:

Directors	Attendance/ Number of meeting(s) held
Executive Directors	
Mr. Tang Sze Wo	4/4
Mr. Lai Yung Sang	4/4
Independent non-executive Directors	
Dr. Wong Kwok Yiu Chris	4/4
Mr. Wong Choi Chak	4/4
Mr. Leung Kim Hong	4/4

During the Board meeting held on 22 June 2021, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company. The senior management of the Company also provided a confirmation to the Board on the effectiveness of the Company's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

Appointment and re-election of Directors

The current Articles provide that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Under the code provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term. Each of the executive Directors and independent non-executive Directors has entered into a services contract or an appointment letter with the Company respectively. The services contract of each of the executive Directors is for a term of three years commencing from the Listing Date and such term has been renewed for another three years starting from 24 January 2021, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointment letter of each of the independent non-executive Directors is for an initial term of two years commencing from his appointment date, and such term has been renewed for another two years starting from 24 January 2020, which may be terminated by not less than one month's notice in writing served by either party on the other. The aforesaid services contracts or appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles.

Continuing professional development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 March 2021, each of the Directors, namely Mr. Tang Sze Wo, Mr. Lai Yung Sang, Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong, received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company.

All Directors, namely Mr. Tang Sze Wo, Mr. Lai Yung Sang, Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong, have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Independent non-executive Directors

The Company has three independent non-executive Directors, representing more than one-third of the Board, to comply with Rules 5.05(1) and 5.05A of the GEM Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Wong Choi Chak has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written annual confirmation of his independence. The Company, based on such confirmations, considers Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong to be independent.

CORPORATE GOVERNANCE REPORT

Chairman and chief executive

In accordance to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. Tang Sze Wo, the chairman of the Board, is responsible for overall planning and strategic development and financial management of the Group. Mr. Lai Yung Sang, the chief executive officer of the Company, is responsible for general operations and construction project management of the Group.

BOARD COMMITTEES

To assist the Board in its work, the Board is assisted by four Board committees, namely the audit committee, the remuneration committee, the nomination committee and the risk management committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website (www.smcl.com.hk) and the GEM's website (www.hkgem.com).

Audit Committee

The Board has established an audit committee (the "**Audit Committee**") on 24 January 2018, which operates under terms of reference approved by the Board. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group, and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Dr. Wong Kwok Yiu Chris and Mr. Leung Kim Hong. Mr. Wong Choi Chak, who has the appropriate accounting and financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules, is the chairman of the Audit Committee.

According to the current terms of reference of the Audit Committee, meetings of the Audit Committee shall be held at least twice a year.

CORPORATE GOVERNANCE REPORT

Four Audit Committee meetings were held during the year ended 31 March 2021. The Audit Committee has reviewed the internal audit report submitted by the independent internal control adviser. The Audit Committee has also reviewed the adequacy of resources, qualification and experience of staff of the Group's accounting, internal audit and financial reporting function and their training programmes and budget, and has reviewed the first quarterly results for the three-month period ended 30 June 2020, the interim results for the six-month period ended 30 September 2020 and the third quarterly results for the nine-month period ended 31 December 2020. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 March 2021, and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure and has reviewed the remuneration of the auditor for the year ended 31 March 2021 and has recommended the Board to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company for the year ending 31 March 2022, subject to approval by the Shareholders at the forthcoming annual general meeting expected to be held on 26 August 2021. The Audit Committee has also reviewed the Company's financial controls, internal control and risk management systems, and recommended the Board on risk management and internal control matters. The Audit Committee has also reviewed and monitored corporate governance functions as stipulated in code provision D.3.1 of the CG Code delegated by the Board. The attendance record of each member of the Audit Committee meeting is set out as follows:

Members	Attendance/ Number of meeting(s) held
Mr. Wong Choi Chak (<i>Chairman</i>)	4/4
Dr. Wong Kwok Yiu Chris	4/4
Mr. Leung Kim Hong	4/4

In the opinion of the Audit Committee, as the Company has appointed the independent internal control adviser to review the Group's risk management and internal control systems, the internal audit function of the Company remain in effective.

Corporate governance function

The Board has delegated the functions of corporate governance to the Audit Committee with terms of reference as set out in code provision D.3.1 of the CG Code. The aforesaid duties include:

- (a) to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT

- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- (e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report of the Company.

Remuneration committee

The Board has established a remuneration committee (the “**Remuneration Committee**”) on 24 January 2018, which operates under terms of reference approved by the Board. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company; (iii) reviewing and approving the management's remuneration proposals with reference to the Company's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company. The Remuneration Committee has adopted the second model described in code provision B.1.2(c)(ii) under the CG Code (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member of the Company).

The Remuneration Committee currently comprises three independent non-executive Directors, namely Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong. Dr. Wong Kwok Yiu Chris is the chairman of the Remuneration Committee.

One Remuneration Committee meeting was held during the year ended 31 March 2021. The Remuneration Committee has reviewed the Company's remuneration policies, the remuneration packages of all executive Directors and senior management of the Company. In the opinion of the Remuneration Committee, the remuneration payable to all executive Directors and the senior management of the Company is in accordance with the terms of the services contracts and such remuneration is fair and reasonable. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

Members	Attendance/ Number of meeting(s) held
Dr. Wong Kwok Yiu Chris (<i>Chairman</i>)	1/1
Mr. Wong Choi Chak	1/1
Mr. Leung Kim Hong	1/1

CORPORATE GOVERNANCE REPORT

Remuneration of senior management

The remuneration of the members of the senior management of the Company by band for the year ended 31 March 2021 is set out below:

Remuneration bands	Number of Individuals	
	2021	2020
Nil to HK\$1,000,000	4	4

Further particulars regarding Directors' remuneration and the five highest paid employees are set out in note 10 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members of the Company was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members of the Company.

Nomination committee

The Board has established a nomination committee (the "Nomination Committee") on 24 January 2018, which operates under terms of reference approved by the Board. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Leung Kim Hong, Dr. Wong Kwok Yiu Chris and Mr. Wong Choi Chak. Mr. Leung Kim Hong is the chairman of the Nomination Committee.

One Nomination Committee meeting was held during the year ended 31 March 2021. The Nomination Committee has reviewed the structure, size and composition of the Board and board diversity policy as well as discussing matters regarding the retirement and re-election of Directors. The Nomination Committee has also assessed the independence of independent non-executive Directors, and has reviewed the composition of the Board committees. Details of the attendance of the members of the Nomination Committee meeting are as follows:

Members	Attendance/ Number of meeting(s) held
Mr. Leung Kim Hong (<i>Chairman</i>)	1/1
Dr. Wong Kwok Yiu Chris	1/1
Mr. Wong Choi Chak	1/1

CORPORATE GOVERNANCE REPORT

Policy for nomination of Directors

The Company has adopted a nomination policy, details of which are disclosed as follows:

Objectives

The Nomination Committee assists the Board in making recommendations to the Board on the appointment of Directors, and succession planning for Directors.

The policy provides the key selection criteria and principles of the Nomination Committee in making any such recommendations.

Selection criteria

The Nomination Committee shall consider the following factors, which are not exhaustive and the Board has discretion if it considers appropriate, in assessing the suitability of the proposed candidate regarding the appointment of Directors or re-appointment of any existing Board member(s):-

- (a) reputation for integrity;
- (b) accomplishment, experience and reputation in the business and industry;
- (c) commitment in respect of sufficient time, interest and attention to the businesses of the Company and its subsidiaries;
- (d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;
- (e) compliance with the criteria of independence, in case for the appointment of an independent non-executive Director, as prescribed under Rule 5.09 of the GEM Listing Rules; and
- (f) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations.

Based on the Nomination Committee's review for the year ended 31 March 2021, the Nomination Committee considers that the above measurable objectives of the Nomination Policy have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs. Details on the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Nomination procedures

The proposed candidates will be asked to submit the necessary personal information in a prescribed form by the Nomination Committee.

The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee.

CORPORATE GOVERNANCE REPORT

For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election of the Directors at a general meeting.

If a Shareholder wants to propose a candidate to the Board for consideration, he/she shall refer to the "Procedures for a Shareholder to Propose a Person for Election as a Director", which is available on the Company's website.

The Board shall have the final decision on all matters relating to its recommendation of candidates of the Directors to stand for election at a general meeting.

Risk management committee

The Board has established a risk management committee (the "**Risk Management Committee**") on 24 January 2018 to review the general goals and fundamental policies of the risk and compliance management, internal control and risk management of the Group and internal audit functions of the Company and made recommendations to the Board on the same.

The Risk Management Committee currently comprises four members, namely Mr. Wong Choi Chak (independent non-executive Director), Mr. Tang Sze Wo (executive Director), Dr. Wong Kwok Yiu Chris (independent non-executive Director) and Mr. Leung Kim Hong (independent non-executive Director). Mr. Wong Choi Chak is the chairman of the Risk Management Committee.

One Risk Management Committee meeting was held during the year ended 31 March 2021. The Risk Management Committee has reviewed the risk management policy and the Company's internal control and risk management systems, and recommended to the Board on risk management and internal control matters. The Risk Management Committee has also reviewed the adequacy of resources, qualification and experience of staff of the Company's internal audit function. In the opinion of the Risk Management Committee, as the Company has appointed the independent internal control adviser to review the Group's risk management and internal control systems, the internal audit function of the Company remain in effective. Details of the attendance of the members of the Risk Management Committee meeting are as follows:

Members	Attendance/ Number of meeting(s) held
Mr. Wong Choi Chak (<i>Chairman</i>)	1/1
Mr. Tang Sze Wo	1/1
Dr. Wong Kwok Yiu Chris	1/1
Mr. Leung Kim Hong	1/1

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2021, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's remuneration

During the year ended 31 March 2021, the remuneration paid or payable to the Company's auditor in respect of their audit and non-audit services was as follows:

	<i>HK\$'000</i>
Audit service	1,100
Non-audit services*	169
Total	<u>1,269</u>

* The non-audit services mainly include tax services.

BOARD DIVERSITY POLICY

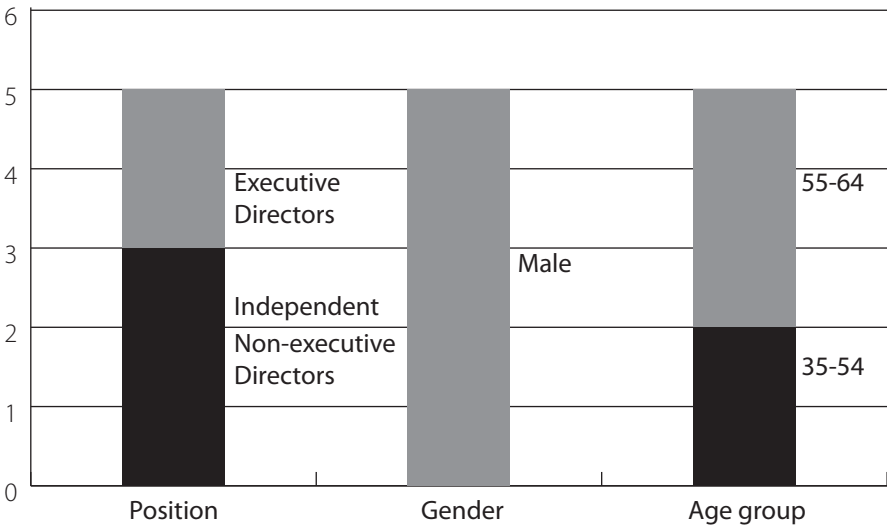
In accordance with the latest amendment and requirements of Corporate Governance Code and Corporate Governance Report in Appendix 15 of the GEM Listing Rules by the Stock Exchange, the Company has adopted a board diversity policy. The policy is summarized as below:

The board diversity policy of the Company (the "**Policy**") specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills. Based on the Nomination Committee's review for the year ended 31 March 2021, the Nomination Committee considers that these measurable objectives have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs.

CORPORATE GOVERNANCE REPORT

The Nomination Committee will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of the Policy. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 14 to page 18 of this annual report.



The Nomination Committee has reviewed the members, structure and composition of the Board, and is of the opinion that the rational structure of the Board and the experiences and skills of the Directors in various aspects and fields may enable the Company to maintain high standard operation.

MEASURABLE OBJECTIVES

The Board has set and review the measurable objectives for implementing the board diversity policy for the year ended 31 March 2021 as follows:

- (i) ensuring that there is no limitation on gender on selection of Directors;
- (ii) inclusion of candidates for Board members with working experience in other industries; and
- (iii) inclusion of candidates for Board members with knowledge and skills in different aspects.

Based on the Nomination Committee’s review for the year ended 31 March 2021, the Nomination Committee considers that the above measurable objectives of the Policy have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company’s corporate governance and business development needs. Details on the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

OVERVIEW

The Board acknowledges its responsibility to maintain an appropriate and effective risk management and internal control systems of the Group in order to drive the achievement of strategic objectives and sustainability, as well as to safeguard the Group's assets and the shareholder's value.

The Group has established a risk management policy with reference to the Internal Control – Integrated Framework released by the Committee of Sponsoring Organisations of the Treadway Commission to govern the risk management and internal control systems of the Group. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Roles and responsibilities, risk management and internal control review processes are well-defined in the risk management policy.

Roles and responsibilities

In order to build up risk awareness and control responsibility of every employee, roles and responsibilities over the risk management function and internal control system are specified.

The Board is responsible to oversee and conduct an annual review on the effectiveness of risk management and internal control systems. Audit Committee provides the Board its independent view on the effectiveness of risk management and internal control systems on an annual basis, after taking into account the independent and internal assessment result provided by independent internal control adviser and Risk Management Committee, respectively. Risk Management Committee assists the Board and Audit Committee to monitor significant risk exposures and to review the assessment result on the effectiveness of risk management and control activities.

The Group's department heads and employees perform risk management and control activities in accordance with the established internal policies and guidelines. Any material risk identified and the relevant action plans recommended are reported to senior management of the Company for assessment and update in risk register. As the communication channel between staff at operational level and those charged with governance, senior management of the Company is responsible to monitor the risk management and control activities and provide guidance to the Group's department heads and employees, as well as to report to Risk Management Committee in relation to the assessment result on effectiveness of risk management and control activities.

CORPORATE GOVERNANCE REPORT

Risk management and internal control review processes

Risk management and internal control review processes of the Group are divided into 4 core stages stated as follows:

- *Risk identification*
Factors and conditions which cause risks hindering the achievement of business objectives are identified and categorised into 4 types of risks: strategic, financial, operational and compliance.
- *Risk assessment*
Risk assessment consists of 2 major processes: risk analysis and risk treatment. During the process of risk analysis, the likelihood of occurrences and the severity of potential impact of risks identified are assessed as high, medium or low levels. Risks are prioritised based on the risk rating scores arriving from combination of the likelihood and impact levels of risks. After considering the risk prioritisation result, risk appetite and cost and benefit analysis, risk treatment methods including avoidance, control, transfer and acceptance can be selected to handle risks at different levels.
- *Risk control activities*
Control activities are designed to cope with risks identified after deciding the risk treatment methods. Roles and responsibilities, workflows and control measures are stipulated in a diverse range of written policies and procedures to guide control activities of the management and staff concerned. Risk register is maintained to record the risks and the relevant control measures.

Certain significant risks identified during the reporting period and the relevant risk mitigation plans are shown as below:

- (i) The Group's civil engineering construction works generate certain pollutions and may cause a wide variety of occupational health and safety ("OHS") hazards such as personal injuries or fatal accidents. To cope with the risks, the Group adopts an environmental management system, and an occupational health and safety management system, which have been certified in compliance with the standards required under ISO 14001:2015 and OHSAS 18001:2007, respectively. Procedures and measures on environmental protection and OHS are clearly specified in the Group's policies, manuals and plans. Monitoring on the strict compliance and implementation by both employees and subcontractors are performed by environmental and safety supervisors.

CORPORATE GOVERNANCE REPORT

- (ii) The Group places heavy reliance on a few number of major customers and a few number of projects. There is no assurance that the Group is able to secure new projects from existing customers or seek cooperation with new customers. To minimise the risks, the Group strives to enhance its competitiveness by expanding its project team with high competence and qualification, keeping its site equipment in low average age, high efficiency and advanced functionality, acquisition of new and adequate site equipment continuously, maintaining a long-term good relationship with customers, subcontractors and suppliers, seeking to upgrade the Group's site formation works, and roads and drainage works under public works licences, keeping an eye on the infrastructure policy implemented by the Government, and proactively seek potential projects from both public and private sectors. During the third quarter of the current reporting period, a tender department has been established to streamline the internal tendering process with the aim of providing the management with more accurate cost estimation and appropriate contract terms for tendering of private and public construction projects.
- (iii) The Group engages subcontractors and suppliers to provide subcontracting works, and construction materials and site equipment, respectively. The availability, performance, qualification and legal compliance of the subcontractors and suppliers directly affect the result of the Group's projects. To mitigate the risks, the Group establishes internal procedures on assessment, review and monitoring of its subcontractors and suppliers. On-site inspection and monitoring are carried out to track the work progress and supervise quality of sub-contracting works and functionality of site equipment.
- (iv) There were a number of amendments to Chapter 17 and Appendix 20 of the GEM Listing Rules in December 2019 in relation to the Environmental, Social and Governance Reports, which will be applicable for the financial years commencing on or after 1 July 2020. Relevant training has been provided in advance to the Directors. The Group has commenced to assess the impacts of the amendments, and the relevant data and information to be gathered in order to cope with the amendments in the coming reporting periods.
- (v) Since the COVID-19 has severely hit the local economy during the reporting period, the Group has deployed certain measures to safeguard the employees of the Group and to minimise the disruptions to the Group's daily operations as follows:
 - a. Instructions and reminders are provided to employees to strictly adhere the quarantine measures and social distancing restrictions tightened by the Government;
 - b. Office employees can work from home on a rotating basis;

CORPORATE GOVERNANCE REPORT

- c. The Group provides adequate personal protective equipment to employees. Guidance on maintaining a safety and hygienic working environment is communicated with employees, including wearing mask in office premise and site, and making proper use of alcohol-based handrub, etc; and
 - d. Instruction has been provided to project managers to closely monitor the health of workers and review the progress of the construction work.
 - (vi) Six summons received during the reporting period in relation to health and safety issues are mentioned in Business Review section of Management Discussion and Analysis. This reveals there are areas for improvement regarding the Group's measures of health and safety on construction sites. The Group has taken immediate actions as follows to mitigate the risk identified:
 - a. Certain technological innovation has been introduced and applied in the construction projects to enhance the health and safety on construction sites:
 - A construction safety detection platform "viAct", which connects AI surveillance technology to all surveillance cameras in the site, was set up for the purpose of monitoring safety of construction site and workers on a real time and wide-angel basis;
 - Site supervisor can monitor the real-time health, safety and location of workers remotely through the data transferred through the Cloud when the workers are wearing safety helmets with built-in sensors and GPS functions; and
 - Proximity Safety Alarm System was installed in the vehicles and machines on construction sites as appropriate. A sensor in the operation cabin of the vehicle/machine will trigger an alarm to alert the operator to stop the vehicle/machine when someone approaches.
 - b. An external professional party specialised in site health and safety has been engaged to oversee the health and safety issues of Group's projects. Any risks or issues identified would be communicated with the Group's management and handled timely to implement remedial actions.
- *Supervision and reporting*
Internal assessment on the effectiveness of risk management and control activities are carried out by employees at operational level and monitored by senior management of the Company. The result of assessment, including the identification of weaknesses and improvement areas and the suggested remedial action plans, is reported to Risk Management Committee for review.

CORPORATE GOVERNANCE REPORT

An independent review on the effectiveness of risk management and internal control systems is conducted by an independent internal control adviser. Appropriate remedial action plans are developed timely to rectify weaknesses and risks identified during the independent assessment.

Both results of internal and independent assessments are submitted to Audit Committee and the Board for evaluation on the effectiveness of risk management and internal control systems.

Timeline on completion of remedial actions and the responsible parties are provided in the remedial action plans. Follow-up on the remediation status is monitored by senior management of the Company.

INSIDE INFORMATION CONTROL

To comply with its obligations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the GEM Listing Rules, the Company has established an internal policy to govern the procedures and internal controls for the handling and dissemination of inside information with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

To prohibit mishandling of inside information, the Group assigns the roles and responsibilities on handling and management of information with different nature to appropriate personnel. All employees are required to follow the code of conduct in staff handbook to prevent unauthorised use, discussion, sharing and disclosure of unpublished information. In addition, all Board members who are aware of or privy to inside information are bound by the code of conduct regarding securities transactions. Confidentiality of information is maintained through certain ways including dissemination of information to specified personnel on a need-to-know basis, entering into confidentiality agreements for significant negotiations or when it is necessary to provide inside information to external professional parties, and review of all presentation materials in advance before releasing to media and analysts.

The Group's identification, analysis, review and reporting process of inside information are set up in the internal policy to guide the handling and dissemination of inside information. For any potential inside information which comes to the attention of one or more of its officer, it is escalated promptly, timely and on a structured flow to the Board for review and matching against the sensitivity list to decide and approve if it is inside information which requires disclosure. Inside information is disseminated to the public as soon as reasonably practicable in an equal and timely manner.

CORPORATE GOVERNANCE REPORT

ASSESSMENT ON EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has conducted an annual review on the continuous effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls for the year ended 31 March 2021. The Board is of the opinion that the Group's risk assessment and internal control systems were adequate and effective after its annual review on the followings aspects:

- the result of the internal assessment conducted by employees and senior management of the Company;
- the internal audit report issued by the independent internal control adviser;
- the changes in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- the extent and frequency of communication of monitoring results, which enables the Board, Audit Committee and Risk Management Committee to assess control of the Group and the effectiveness of risk management;
- the significant control failings or weaknesses that have been identified during the year, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;
- the effectiveness of the Group's processes for financial reporting and compliance with the GEM Listing Rule; and
- the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.

The Board has performed the annual review on the need for an internal audit function in the reporting period. In view of the fact that the business operation of the Group is not multinational, diversified and complicated, roles and responsibilities taken up by Risk Management Committee and the independent internal control adviser are considered appropriate and cost-effective to take the place of an internal audit function in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

GENERAL MEETING

During the year ended 31 March 2021, the Company held an annual general meeting on 27 August 2020 (the “**2020 AGM**”) and below is the attendance of each Director:

	Attendance/ No. of Meeting
Executive Directors	
Mr. Tang Sze Wo	1/1
Mr. Lai Yung Sang	1/1
Independent non-executive Directors	
Dr. Wong Kwok Yiu Chris	1/1
Mr. Wong Choi Chak	1/1
Mr. Leung Kim Hong	1/1

The 2020 AGM provided an ideal chance for communication between the Board and the Shareholders. The chairmen of the Board and the Audit Committee and the external auditor were all present at the 2020 AGM to answer Shareholders’ inquiries.

INVESTORS AND SHAREHOLDERS RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company’s website offering communication channel between the Company and its Shareholders and investors; and (v) the Company’s branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to Shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders’ views and inputs, and address Shareholders’ concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days’ notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders’ questions on the Group’s businesses at the general meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor independence.

CORPORATE GOVERNANCE REPORT

Right to convene extraordinary general meeting

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 58 of the Articles, 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 can call for an extraordinary general meeting. Such requisition shall be made in writing to the Board or the secretary 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.

Procedures for proposing a person for election as a Director

If a Shareholder wishes to propose a person (the “**Candidate**”) for election as a Director of the Company at a general meeting, he/she shall deposit a written notice (the “**Written Notice**”) to the office of the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong or the principal place of business of the Company in Hong Kong at Office D, 27/F The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong.

The Written Notice (i) must include the personal information of the Candidate as required by Rule 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected as a Director.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary with details as follows:

Address : Office D, 27/F The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong
Fax : 2473 3036
Email : info@smcl.com.hk

Right to Put Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised). However, Shareholders who wish to propose resolutions may follow article 58 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 of the Articles are set out above.

In order to promote effective communication, the Company also maintains website (www.smcl.com.hk) which includes the latest information relating to the Group and its businesses.

Share registration matters shall be handled for the Shareholders by the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company engages Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited and a fellow member of Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in United Kingdom and the Hong Kong Institute of Chartered Secretaries, which is an external service provider, as its company secretary. Her primary contact at the Company is Mr. Sek Wai Kit, senior accounting manager of the Company.

During the year ended 31 March 2021, Ms. Chau has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company for the year ended 31 March 2021.

REPORT OF THE DIRECTORS

The Directors submit herewith their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

Corporate reorganisation and placing

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island (the “**Companies Law**”) on 31 May 2017. Pursuant to a reorganisation to rationalise the group structure in preparation for the listing, the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company’s Shares have been listed on GEM since 12 February 2018.

Principal places of business

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business is Office D, 27/F The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 37 to the consolidated financial statements.

Business review

A fair review of the Group’s business during the year is provided in the Management Discussion and Analysis section on pages 7 to 13 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the Risk Management and Internal Control Systems section on pages 35 to 40 of the Corporate Governance Report in this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 31 to the consolidated financial statements. The Group does not have any significant events since the end of reporting period and as at the date of this annual report. A summary of the results and of the assets and liabilities of the Group’s Financial Highlights on page 5 of this annual report. In addition, discussions on the Group’s environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the Environmental, Social and Governance Report section on pages 66 to 82 of this annual report. The probable future business development of the Company is discussed in the paragraph headed “Prospect” in the Management Discussion and Analysis section on page 10 of this annual report.

REPORT OF THE DIRECTORS

Results

The results of the Group for the financial year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 90 of this annual report.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021.

Dividend policy

The Company has adopted a dividend policy (the “**Dividend Policy**”), details of which are disclosed as follows:

In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its Shareholder value.

The Company does not have any pre-determined dividend payout ratio.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- operating and financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- taxation considerations;
- interim dividend paid, if any;
- capital requirements and expenditure plans;
- interests of Shareholders;
- statutory and regulatory restrictions;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

REPORT OF THE DIRECTORS

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to Shareholders' approval.

The Company may declare and pay dividends by way of cash or by other means that the Board considers appropriate.

Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles.

Annual general meeting

The forthcoming annual general meeting of the Company (the "**Annual General Meeting**") is scheduled to be held on 26 August 2021. A notice convening the Annual General Meeting will be issued and dispatched to Shareholders in due course.

The register of members of the Company will be closed from 23 August 2021 to 26 August 2021 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, 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 20 August 2021.

REPORT OF THE DIRECTORS

Deed of non-competition

A deed of non-competition (the “**Deed of Non-competition**”) dated 24 January 2018 was entered into by Chrysler Investments Limited, a limited liability company incorporated in the British Virgin Islands (“**BVI**”), and Mr. Tang Sze Wo in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. Pursuant to the Deed of Non-competition, each controlling Shareholder of the Company (the “**Controlling Shareholder(s)**”) has undertaken to the Company (for itself and for the benefit of its subsidiaries) that with effect from the Listing Date and for so long as the Shares remain listed on the Stock Exchange and (i) our Controlling Shareholders individually or collectively with their close associates are, directly or indirectly, interested in not less than 30% of our Shares in issue; or (ii) the relevant Controlling Shareholder remains as our executive Director, each of our Controlling Shareholders shall, and shall procure that its/his respective close associates shall, except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Group or any business activities which the Group may undertake in the future;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of the Group including, but not limited to, solicitation of customers, suppliers and staff of the Group;
- (c) keep our Board informed of any matter of potential conflicts of interests between the relevant Controlling Shareholders (including its/his close associates) and the Group, in particular, a transaction between any of the relevant Controlling Shareholders (including its/his close associates) and the Group; and
- (d) provide as soon as practicable upon our Company’s request a written confirmation in respect of compliance by it with the terms of the Deed of Non-Competition and their respective consent to the inclusion of such confirmation in our Company’s annual report and all such information as may be reasonably requested by our Company for its review.

REPORT OF THE DIRECTORS

In addition, each of our Controlling Shareholders hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of the Group (the “**Business Opportunity**”) is made available to it/him or its/his close associates (other than members of the Group), he/it will direct or procure the relevant close associate to direct such Business Opportunity to the Group with such required information to enable the Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholders shall provide or procure its/ his close associates to provide all such reasonable assistance to enable the Group to secure the Business Opportunity. If he/it (or his/its close associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of the Group, he/it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of our Controlling Shareholders and their respective close associates (other than members of the Group) will pursue the Business Opportunity until the Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of the Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

Each of our Controlling Shareholders further irrevocably and unconditionally undertakes that he/ it will (i) provide to the Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-Competition; and (ii) confirm to our Company on an annual basis as to whether he/it has complied with such undertakings.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% or more of our Shares, or our Shares cease to be listed on GEM.

The independent non-executive Directors are responsible for reviewing, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-competition. During the year ended 31 March 2021, each Controlling Shareholder of the Company has made annual confirmation of compliance of the Deed of Non-competition, and the independent non-executive Directors have also reviewed the implementation of the Deed of Non-competition, and confirmed that the Controlling Shareholders have fully abided by the Deed of Non-competition without any breach of the Deed of Non-competition.

Major customers and suppliers

During the year ended 31 March 2021, the Group’s five largest customers accounted for approximately 73.2% of the revenue. The Group’s five largest suppliers accounted for approximately 34.5% of the total purchases for the year ended 31 March 2021. In addition, the Group’s largest customer accounted for approximately 51.5% of the revenue and the Group’s largest supplier accounted for approximately 18.9% of the total purchases for the year ended 31 March 2021.

As far as the Company is aware, as at the date of this annual report, none of the Directors, their close associates nor any Shareholders (which to the knowledge of the Directors own more than 5% of the Company’s share capital) had any interest in the Group’s customers and suppliers as disclosed above.

REPORT OF THE DIRECTORS

Reserves

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2021 are set out in the consolidated statement of changes in equity and note 35 to the consolidated financial statements respectively in this annual report.

Distributable reserves

The Company's reserves available for distribution to shareholders as at 31 March 2021 represent the aggregate of share premium, other reserve and accumulated losses which amounted to approximately HK\$81.2 million (2020: approximately HK\$82.6 million). Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to Shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

Investment property

As at 31 March 2021, the Group's investment property amounted to approximately HK\$12.4 million, representing approximately 9.5% of the Group's total non-current assets and approximately 3.2% of the Group's total assets. Management appointed an external valuer to determine the fair value of the Group's investment property.

Related disclosures are included in note 16 of the consolidated financial statements in this annual report.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements in this annual report.

Share capital

Details of movements in the share capital of the Company during the year ended 31 March 2021 are set out in note 25 to the consolidated financial statements in this annual report.

Directors

During the year ended 31 March 2021 and up to the date of this annual report, the Directors were:

Executive Directors

Mr. Tang Sze Wo (*Chairman*)

Mr. Lai Yung Sang

Independent non-executive Directors

Dr. Wong Kwok Yiu Chris

Mr. Wong Choi Chak

Mr. Leung Kim Hong

REPORT OF THE DIRECTORS

Further details of the Directors are set forth in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

Mr. Tang Sze Wo and Mr. Leung Kim Hong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with article 84(1) of the Article.

Directors’ service contracts

None of the Directors (including those proposed for re-election at the Annual General Meeting) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Share option scheme

The following is a summary of the principal terms of the share option scheme adopted under the written resolutions of the Shareholders of the Company passed on 24 January 2018 (the “**Share Option Scheme**”) and the terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (e) below to the following (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including executive, non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

REPORT OF THE DIRECTORS

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Hong Kong Public Offering, being 40,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, our Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

REPORT OF THE DIRECTORS

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 23.03(4) and 23.06 of the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

REPORT OF THE DIRECTORS

(f) *Granting options to connected persons*

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the GEM Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his associates and all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

(g) *Restrictions on the times of grant of options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules);

and ending on the date of actual publication of the results announcement.

(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(i) *Time of exercise of option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) *Performance target*

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

REPORT OF THE DIRECTORS

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

REPORT OF THE DIRECTORS

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

REPORT OF THE DIRECTORS

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to the paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to the paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of the Group (if so determined by our Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

REPORT OF THE DIRECTORS

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) *Cancellation of options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (h).

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of our Board*

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;

REPORT OF THE DIRECTORS

- (iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

No share options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme since its adoption and there were no outstanding share options under the Share Option Scheme up to the date of this annual report.

DISCLOSURE OF INTERESTS

(a) **Interests and short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations**

As at 31 March 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

(i) *Interests in the Company*

Name of Director	Capacity/ Nature of interest	Number of shares	Approximate percentage of shares
Mr. Tang Sze Wo (<i>Note</i>)	Interest in a controlled corporation	260,000,000 (long position)	65%

Note:

These shares are held by Chrysler Investments Limited, a company incorporated in the BVI and the entire share capital of which is held by Mr. Tang Sze Wo. Mr. Tang Sze Wo is deemed to be interested in these shares held by Chrysler Investments Limited under the SFO.

REPORT OF THE DIRECTORS

(ii) *Interests in associated corporation(s) of the Company*

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Percentage of shareholding
Mr. Tang Sze Wo	Chrysler Investments Limited	Beneficial owner	1 (long position)	100%

Save as disclosed above, as at 31 March 2021, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules.

(b) Interests and short positions of the substantial shareholders in the Shares and underlying Shares

So far as the Directors are aware, as at 31 March 2021, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Chrysler Investments Limited (Note 1)	Beneficial owner	260,000,000 (long position)	65%
Mr. Tang Siu Fung Calvin (Note 2)	Interest in a controlled corporation	40,000,000 (long position)	10%
Sigma Square Investment Management Limited (Note 2)	Interest in a controlled corporation	40,000,000 (long position)	10%
Altivo Ventures Limited (Note 2)	Beneficial owner	40,000,000 (long position)	10%

REPORT OF THE DIRECTORS

Notes:

1. Chrysler Investments Limited is a company incorporate in the BVI and the entire share capital of which is held by Mr. Tang Sze Wo.
2. These Shares are held by Altivo Ventures Limited, a company incorporated in the BVI and the entire share capital of which is held by Sigma Square Investment Management Limited, a company incorporated in Hong Kong and wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. Tang Sze Wo. Each of Sigma Square Investment Management Limited and Mr. Tang Siu Fung Calvin is deemed to be interested in these Shares held by Altivo Ventures Limited under the SFO.

Save as disclosed above, as at 31 March 2021, the Directors and chief executive are not aware of any person, other than a Director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this annual report, at no time during the year ended 31 March 2021 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest 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).

SUFFICIENCY OF PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required by the GEM Listing Rules up to the date of this annual report.

REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, chief executive and five individuals with the highest emoluments are set out in note 10 to the consolidated financial statements in this annual report. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2021.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2021.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2021.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the Controlling Shareholders had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2021, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2021 are set out in note 22 to the consolidated financial statements in this annual report.

RETIREMENT BENEFITS PLAN

Particulars of retirement benefits plans of the Group as at 31 March 2021 are set out in note 28 to the consolidated financial statements in this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, namely Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak, Mr. Leung Kim Hong, a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and based on their confirmations, the Company considers all the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS

The related party transactions of the Company are set out in note 33 to the consolidated financial statements in this annual report. None of the related party transactions fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the GEM Listing Rules which are required to comply with any of the relevant reporting, announcement or independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the Companies Law, being the jurisdiction in which the Company was incorporated.

REPORT OF THE DIRECTORS

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2021, the Company did not redeem any of its Shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's Shares.

DONATIONS

During the year ended 31 March 2021, Sheung Moon Construction Limited, an indirect wholly-owned subsidiary of the Company, donated HK\$19,000 (31 March 2020: HK\$34,000) to support the community activities.

DIRECTORS' INDEMNITIES

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which such Director shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty in his office. None of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of his office, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

Each Shareholder agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

The Companies Law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

REPORT OF THE DIRECTORS

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, LY Capital Limited ("**LY Capital**"), neither LY Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and LY Capital in 30 June 2020) as at the date of this annual report.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 24 to 43 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the section headed "Financial Highlights" on page 5 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the reporting period and as the date of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2021 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company. From the incorporation of the Company and up to the date of this annual report, there has been no change in the Company's auditor.

REPORT OF THE DIRECTORS

CHANGES IN THE DIRECTORS' INFORMATION

There is no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the date of the Company's 2020 interim report.

OBLIGATIONS OF ON-GOING DISCLOSURE UNDER THE GEM LISTING RULES

The Company has no any other disclosure obligation under Rule 17.22, Rule 17.23 and Rule 17.24 of the GEM Listing Rules.

By order of the Board

Tang Sze Wo
Chairman

Hong Kong, 22 June 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This Environmental, Social and Governance (“**ESG**”) Report discloses the policies and measures in relation to the environmental and social aspects, and the relevant key performance indicators (the “**KPIs**”) of the Group for the financial year ended 31 March 2021 in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) as set out in Appendix 20 to the GEM Listing Rules. For information regarding corporate governance, details are presented in the Corporate Governance Report.

The Group principally engages in the business of civil engineering construction works in both public and private sectors in Hong Kong through its indirect wholly-owned subsidiary, Sheung Moon Construction Limited (“**Sheung Moon Construction**”). Having considered the main business activity of the Group, and the concerns and expectations of both internal and external stakeholders, the Group has identified certain material environmental and social issues for disclosure of the Group’s performance in Hong Kong.

ENVIRONMENTAL PROTECTION

Emission

The Group recognises that certain pollutions are inevitably arose from the civil engineering construction works. To minimise the environmental impacts, the Group is dedicated to protect the environment by enhancing means to mitigate emissions and promoting environmental awareness.

An environmental management system, which has been certified in compliance with the standard required under ISO 14001:2015, is adopted by the Group. The system is supported with a set of environmental management manual and policy, which specifies the workflow and measures for employees to follow on mitigation of air pollution, effluents and wastes, and noise control. Regular review on the adequacy of the existing system is conducted to enable the constant improvement in environmental sustainability.

Air pollution

Air emissions of the Group are mainly nitrogen oxides (“**NOx**”), sulphur oxides (“**SOx**”) and particulate matter (“**PM**”) generated from vehicles owned by the Group and operating of generators and excavators, while greenhouse gas (“**GHG**”) emissions are mainly derived from (i) direct emissions from stationary combustion source of machinery such as electricity generator under scope 1A of Reporting Guidance on Environmental KPIs (the “**KPIs Reporting Guidance**”); (ii) direct emissions from mobile combustion source of the vehicles under scope 1B of the KPIs Reporting Guidance; and (iii) indirect emission from electricity consumed in office under scope 2 of the KPIs Reporting Guidance. Other indirect emissions under scope 3 of the KPIs Reporting Guidance are minimal comparatively and excluded from the disclosure in this ESG report. Details of the key performance data are shown in the section “Environmental Key Performance Data for the Reporting Period”.

To reduce air emissions and GHG emissions, relevant measures are employed for saving and efficient use of energy. Details of the initiatives implemented are stated in the section “Use of Resources”. Besides, the Group adopts the policy of treatment at source. For instance, ultra-low sulphur diesel is continuously used for operating generators and excavators to substantially reduce emissions from fuel combustion processes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION – continued

Emission – continued

Air pollution – continued

Apart from the above-mentioned types of air emissions and GHG emissions, dust emission is one of the major sources of air pollutants. Certain site-specific measures implemented by the Group to minimise impact brought by dust emission are described as follows:

- Water spraying is used when handling dusty materials, or when the construction activity or the working environment is probable to create dust. For example, during delivery of raw sand and aggregate, on the dust emitting surfaces of unpaved areas and construction areas, and when trucks passing through the access road.
- Heights from which materials are dropped are minimised to limit fugitive dust generation during loading/unloading.
- Speed limit signage is put up at appropriate locations to restrict the speed of vehicles.
- Vehicles transporting dusty materials are fitted with side and tailboards. The materials transported are properly covered.
- Washing facilities are provided at the exits from work areas for the usage of vehicles before leaving the site.

Effluents

Effluents are generated from the site discharge. The Group adopts the following measures to reduce the impact of discharge to the environment:

- Construction site run-off are directed into storm drains via adequately designed waste water treatment facilities such as sand traps and silt traps. Channels, earth bunds or sand bag barriers are provided on-site to properly direct storm water to the said facilities.
- Silt removal facilities, channels and manholes along roads and pedestrian walkways are properly maintained. Deposited silt and grit are removed regularly to ensure that these facilities are functioning at all times.
- Measures are taken to prevent the washing away of construction materials, soil, silt or debris into any drainage system and river channel. For example, manholes should be adequately covered.
- The Group installs sewage treatment facilities at construction site to collect sewage such as washing water of vehicle and rainy water for treatment in sedimentation tanks. The treated effluents are reused for water spraying and irrigation purposes.

ENVIRONMENTAL PROTECTION – continued

Emission – continued

Wastes

Construction and demolition (“C & D”) materials, both inert and non-inert, are the major wastes generated from the Group’s works. The Group strictly implements and monitors the trip ticket system for orderly disposal of C & D wastes to designated disposal facilities by trucks. However, since both reclamation sites and landfill space in Hong Kong for the disposal of C & D wastes are limited, the Group intends to handle the C & D wastes in a more environmentally responsible manner based on 3 strategies “reduce”, “reuse” and “recycle”. Certain means for achievement of the 3 strategies are mentioned below:

- Reduction of waste:
 - (i) Ordering materials at the right quantity, size and time; and
 - (ii) Proper storage and maintenance of materials to protect them from wastage. For example, plaster and cement are stored under cover to avoid getting damp.
- Reuse and recycle of waste:
 - (i) Proper sorting of inert C & D materials against non-inert C & D materials with signage. Inert materials with good quality are able to be recycled for use in construction project;
 - (ii) Utilise surplus materials through cross site transfer where possible; and
 - (iii) Search for availability of opportunities to use recycled C & D materials during the planning stage of project.

In order to mitigate the problem of landfill saturation in Hong Kong, the Group undertakes the project in Tseung Kwan O Landfill with the aim to reduce the construction waste in the landfill, and to carry out formation, greening and beautification works:

- A new type of crusher is introduced to handle the huge amount of waste in the landfill. The new type of machine can crush the stones into different sizes precisely according to the needs of the users, which expands the range and possibility of waste reuse.
- Greening and beautification works are carried out to stabilise the soil, and to absorb carbon dioxide and air pollutants in the landfill through photosynthesis of plants.

Details of the key performance data are shown in the section “Environmental Key Performance Data for the Reporting Period”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION – continued

Emission – continued

Noise

Some of the construction works are carried out in urban areas. In order to reduce the impact on the public's daily life, works are undertaken in accordance with the permitted work hours as specified by the customers. Besides, unused equipment is required to be turned off. All equipment at site are properly maintained and are inspected before use to ensure compliance of permitted noise level. In addition, acoustic barriers are installed as appropriate.

During the reporting period, the Group has fully complied with all applicable environmental related laws and regulations, including Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), and Waste Disposal Ordinance (Chapter 358 of the Laws of Hong Kong). During the reporting period, the Group was not aware of material non-compliance issues related to environmental protection.

Use of Resources

Purchased electricity used in office, diesel oil used for generators and excavators, and water utilised at construction sites are the main resources consumed by the Group. There are no significant issues identified in sourcing water that is fit for purpose. The Group encourages the resources conservation through implementation of green management and promotion of saving and efficient use of resources. The relevant measures include:

- Solar panels are used on site with geographical advantage for the generation of renewable energy. For example, solar panels are installed on streetlights in the Tseung Kwan O Landfill. This can reduce the consumption of non-renewable energy and the emissions;
- Engines of trucks and construction equipment such as generators and excavators are switched off during idling;
- Trucks and equipment are regularly inspected to ensure they are operating efficiently;
- C & D wastes are carried and delivered by trucks at maximum weight without overloading to reduce the frequency of delivery;
- Reminder label on energy and water saving is posted next to the electrical switch. For example, a label reminding the users to set temperature between 24 to 26 degree celsius is fixed next to the air-conditioning switch;
- Energy-efficient appliances such as refrigerators with Grade 1 energy label are used; and
- Effluents are treated and reused for water spraying and irrigation purposes at construction sites.

Details of the key performance data are shown in the section "Environmental Key Performance Data for the Reporting Period".

ENVIRONMENTAL PROTECTION – continued

The Environmental and Natural Resources

The Group's construction work generates certain emissions and impacts on the environment including air pollution, effluents, wastes, noise and impacts on the landscape. The Group strives to enforce the established policies and measures to mitigate the impacts on the environment and natural resources. In addition to the specific measures during the construction work and the usage of resources mentioned in the above sections, the Group believes that a better planning at both the corporate strategic planning stage and the construction project planning stage is of equal importance to protect the environment. The relevant measures are stated as follows:

- The Group's tendering strategy is to focus on tenders for civil engineering construction contracts which are related to the same project in which the Group has participated. The Group is able to mobilise the same workforce and equipment to carry out works at different construction sites in close proximity. Materials for construction sites nearby can be purchased in a batch and delivered at one time. As such, saving of resources such as diesel oil consumed on carrying the labour, equipment and materials to the construction sites, and electricity consumed on site office (if the construction sites nearby share one office) can be achieved.
- Consideration of environmental protection is embedded in the design and planning of construction works, including the construction methods adopted and the materials used. For instance, low waste construction designs and technologies such as adoption of lean construction, balanced cut and fill, and off-site prefabrication are adopted.
- Impact on landscape is assessed before execution of work. Tree protection zone is demarcated to protect the existing trees within the work boundary at the construction site. Opportunities and methods on transplanting of trees that need to be removed are also considered.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION – continued

Environmental Key Performance Data for the Reporting Period

	2021		2020	
Air Emissions		Absolute Value (kg)		Absolute Value (kg)
• NOx		8,182.31		8,009.07
• SOx		88.05		87.88
• PM		601.72		589.88
Greenhouse Gas Emissions	Intensity (tonnes per million revenue)	Absolute Value (tonnes)	Intensity (tonnes per million revenue)	Absolute Value (tonnes)
• CO ₂ equivalent emissions under scope 1	30.60	14,339.95	24.49	14,312.16
• CO ₂ equivalent emissions under scope 2	0.30	142.24	0.26	151.84
Total	30.90	14,482.19	24.75	14,464.00
Non-hazardous Waste	Intensity (tonnes per million revenue)	Absolute Value (tonnes)	Intensity (tonnes per million revenue)	Absolute Value (tonnes)
• Inert C & D waste	0.14	67.50	0.07	43.40
• Non-inert C & D waste	0.02	6.60	0.01	2.50
Total	0.16	74.10	0.08	45.90
Resources Consumption	Intensity (kwh'000 per million revenue)	Absolute Value (kwh'000)	Intensity (kwh'000 per million revenue)	Absolute Value (kwh'000)
Energy Consumption				
• Electricity	0.60	278.91	0.48	281.18
• Diesel oil and petrol (Note)	124.90	58,528.90	99.96	58,416.00
Total	125.50	58,807.81	100.44	58,697.18
	Intensity (cbm per million revenue)	Absolute Value (cbm)	Intensity (cbm per million revenue)	Absolute Value (cbm)
Water Consumption	202.41	94,850	161.72	94,505

Note: The comparative figure has been updated since the consumption of diesel oil and petrol used in vehicles were also included in the calculation. In addition, conversion factors sourced from the Energy Statistics Manual issued by the International Energy Agency (which were indicated in the KPIs Reporting Guidance) are applied consistently for the calculation in both current and prior years.

SOCIAL COMMITMENT

Employment and Labour Standards

Civil engineering construction industry is labour intensive, which generates demands for all kinds of labour force, including skilled labour, semi-skilled labour or unskilled labour. The Group believes that a well-established system on human resources management (“HRM”) can assist the Group to manage every act of employment and labour practices fairly and impartially. As such, a set of policies and procedures in relation to HRM and staff handbook are formulated in accordance with the applicable laws and regulations such as Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

The Group adopts the equal employment opportunity policy which applies to the procedures relating to recruitment and promotion, termination and dismissal, and remuneration, compensation and benefits. Key element of the equal employment opportunity policy is that every act of employment is based on capabilities, qualifications, experiences and skills without discrimination with respect of race, nationality, religious belief, sex, age, marital status, disability or other characteristic protected by the applicable laws and regulations. The Group promotes a work environment free from discrimination as well as any form of harassment.

During the recruitment process, personal information of candidates are strictly reviewed and verified. Any candidates with the age under 15 are rejected to conduct interview and refused to be employed by the Group.

Remuneration package of employees comprises of basic salaries, year-end incentives and other compensations such as compensation on a work-related injury. Mandatory provident fund contributions pursuant to Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are made for all eligible employees. Annual performance appraisal of every employee is carried out to evaluate individual work performance, contributions to the project or the Group’s result as a whole for consideration of salary review and promotion. In addition to performance of employees, other factors such as demand and shortage of labour, and salary benchmark in the industry are also taken into consideration.

Employees are scheduled to work in normal working hours of business days, except for site workers who are compensated for working overtime. Attendance of employees is recorded by using time clock, and reviewed by the management to avoid disputes with employees. Employees are entitled to holidays and leaves stipulated in employment contract including statutory holidays, annual leave, sick leave, maternity leave, paternity leave and work-related injury leave. Forced labour is prohibited under the Group’s policy.

During the reporting period, the Group has strictly adhered to all applicable laws and regulations in relation to employment and labour practices, including Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), and Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The Group was not aware of material non-compliance issues related to employment and labour practices, including child labour and forced labour.

SOCIAL COMMITMENT – continued

Health and Safety

Subject to the risk of exposing to a wide variety of OHS hazards at work in construction site, the Group endeavors to promote OHS awareness and create a safe and healthy workplace for its labour and subcontractors. The Group aims at minimizing the reported accidents, major accidents and fatal injuries at construction sites.

In accordance with the applicable laws and regulations in relation to OHS including Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Group adopts an occupational health and safety management system, which has been certified in compliance with the standard required under OHSAS 18001:2007. OHS related roles and responsibilities of each position in the project team including project manager, site agent, safety supervisor and safety officer are clearly defined. In addition, details of OHS measures and procedures are clearly specified in the OHS manual and policy established. Certain significant OHS policies and measures are mentioned in the following:

- **OHS training:** All workers should attend induction training which covers core topics including OHS policy and objectives, OHS plans and measures, relevant OHS regulations, use of personal protective equipment, emergency procedures and first aid facilities, soon after they commenced their work at site. Refresher induction course is normally provided at intervals of 6 months. Workers also require to attend regular tool box talks which covers the topics such as working at height and fire escape, as well as specific OHS training for potential high-risk activities. All employees and subcontractors working on site must complete the mandatory basic safety training course and possess the construction industry safety training certificate.
- **Regular safety inspection:** Various types of safety walk and inspection such as daily safety inspection, weekly daily safety inspection and after-holiday safety inspection are carried out to check the conformance with regulatory and other contractual requirements, and the effectiveness on implementation of operational control measures.
- **OHS hazards analysis:** During the OHS hazards analysis, activities with OHS hazards identified are categorised into different risk level under risk assessment process. According to the results of the risk assessment, risk control safety measures including method statements, in-house safety rules or safe working procedures, are developed. Sometimes, personal protective equipment such as safety helmets, belts and shoes, eyes and ears protectors, and respirators, are used to cope with the hazards.
- **Emergency preparedness:** Foreseeable emergency situations at site such as fire, explosion and electric shock are identified at the early stage of the project. The corresponding emergency responding procedures and recovery arrangements are established for employees to follow. Emergency drill and training are arranged on a regular basis to ensure proper handling of emergency situations and proper usage of emergency responding equipment including portable fire extinguishers and first-aid equipment.

SOCIAL COMMITMENT – continued

Health and Safety – continued

- Accident investigation: Accident reporting and investigation procedures, as well as the procedures on making recommendation of corrective actions are in place to guide the employees to report an accident in a clear and unbiased manner with a whole picture, to conduct investigation thoroughly and analyse the root cause, and to formulate corrective action or preventive measures to avoid recurrence.

Besides, the Group has introduced and applied certain technological innovation in engineering projects such as the project of Tseung Kwan O Landfill, to enhance the site safety:

- Set-up of the construction safety detection platform “viAct”, which connects AI surveillance technology to all surveillance cameras in the site, for the purpose of monitoring safety of construction site and workers on a real time and wide-angel basis. Instant alerts and messages are sent to site supervisor when dangers (e.g., site worker does not wear a safety helmet) are identified.
- Introduction of Dasloop, which is a safety helmet (also known as “IoT for Smart Helmet”) with built-in sensors and GPS functions, as one of the protective equipment. Site supervisor can monitor the real-time health, safety and location of workers remotely through the data transferred through the Cloud when the workers are wearing the helmets. Accurate positioning of workers is important for rescue when the workers have accidents.
- A new type of crusher installed with the Proximity Safety Alarm System, which makes use of the Radio Frequency Identification technology. Whenever a worker approaches the crusher in operation, a sensor in the operation cabin of the crusher will trigger an alarm to alert the operator to stop the crusher to prevent an accident from happening.

In addition, site safety is considered in the design and planning of construction works. Multiple signages are set up on the site to provide clear directions and instructions to both drivers and workers. For instance, pre-defining of the area with clear signages in the landfill where dump trucks can dispose waste to avoid the truck rollover.

During the reporting period, all applicable laws and regulations with respect to OHS, including Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), were adhered to by the Group. The Group was not aware of material non-compliances issues related to OHS.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL COMMITMENT – continued

Development and Training

Human capital is the most valuable assets which drives the business growth and long-term success of the Group. The Group places sufficient resources in provision of adequate training and development to employees to ensure that the Group's competent management and workforce are well-equipped with required skills, technical knowledge and capabilities.

Apart from the in-house training such as initial induction training, and regular training on OHS and environmental sustainability for site labour as mentioned under the section "Health and Safety", the Group also sponsors employees to attend training courses organized by external institutions in relation to construction supervision, advanced construction techniques, and technology and management.

Supply Chain Management

While the main business operation of the Group is to undertake civil engineering construction works, the Group does not have qualified skilled workforce for certain components of civil engineering construction works such as rebar fixing work and formboard erecting works. These types of works are therefore subcontracted to the Group's subcontractors. On the other hand, the Group purchases construction materials such as concrete, reinforcement steel bars, precast concrete units, timbers and diesel fuel, and rent site equipment such as dump trucks, crane lorries and excavators from suppliers for undertaking the construction works.

In view of the fact that establishing and maintaining a responsible and high-standard supply chain is vital to the sustainability performance of the Group, procedures on managing both subcontractors and suppliers are well-developed. There are generally 2 stages on the assessment and management of subcontractors and suppliers: (i) initial assessment; and (ii) periodic and ongoing review and monitoring.

During initial assessment, a comprehensive set of assessment criteria are considered and analysed including background, reputation and resources of the potential subcontractor or supplier, experience, service quality and safety records of the potential subcontractor, and delivery timeliness and quality of materials or equipment provided by the potential supplier. All approved and qualified subcontractors and suppliers are included in the list of approved subcontractors and suppliers.

Performance evaluation of both suppliers and subcontractors are conducted at least annually. For subcontractors, periodic supervision on their performance, and compliance with relevant laws and regulations as well as the Group's internal standards of quality control, safety and environmental compliance are carried out through on-site inspection and monitoring of work progress. Subcontractors and suppliers who fail the periodic assessment are removed from the list of approved subcontractors and suppliers.

SOCIAL COMMITMENT – continued

Product Responsibility

One of the primary focus of the Group is to maintain high quality of its construction work and protect its corporate reputation. It is always the Group's emphasis not to put the workers, subcontractors and the general public at risk. The Group achieves its objective by (i) establishing a management system conforming to quality management system standard (ISO 9001:2015), environmental management system standard (ISO 14001:2015) and occupational health and safety management standard (OHSAS 18001:2007); (ii) obtaining various approvals and certificates required for the Group's business operations including Certificate of Registration of General Building Contractor GBC 7/2004, Certificate of Registration of Specialist Contractor SC(SF) 11/2005 – (site formation works), and being admitted on probation on the Approved List for Contractors in the categories of Site Formation (Group B) and Roads and Drainage (Group B) (iii) forming a competent, skilled and experienced management and workforce team; (iv) investment in different types of site equipment to improve efficiency of site operation; (v) maintaining a stable, responsible and high-standard supply chain; (vi) developing or following site management plan which guide the implementation of waste management and OHS policy; and (vii) carrying out close monitoring and on-site supervision on the progress and quality of work.

The Group does not rely heavily on active marketing. Besides, in view of the business nature of the Group and the services provided, labelling and privacy matters are not applicable to the Group. As such, no relevant policies in relation to advertising, labelling and privacy are disclosed.

During the reporting period, the Group has strictly complied with applicable laws and regulations in relation to quality control, and health and safety, including Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), and Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).

Anti-corruption

The Group sets up a high business integrity and ethics in its corporate culture through the thorough communication with employees on the provisions of code of conduct, conflicts of interest, confidentiality and use of the Group's assets and information as set out in the employee handbook. Employees are encouraged to take part in the promotion of high ethical standards. In addition to abiding by the established code of conducts in employee handbook, employees are encouraged to raise awareness of identification of possible improprieties, and to voice out without fear of reprisals.

The Group provides clear guidance on the whistleblowing policy and procedures by defining the activities which constitute misconduct or malpractice, formulating the reporting procedures of allegation by the whistleblowers and the investigation procedures, and specifying the protection and support provided to the whistleblowers. Audit Committee has overall responsibility to ensure investigation procedures of suspect improprieties are properly conducted, and to protect the whistleblowers from being unfairly dismissed, victimised or punished.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL COMMITMENT – continued

Anti-corruption – continued

During the reporting period, the Group has strictly adhered to the relevant laws and regulations in relation to corrupt practices, including Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). The Group was not aware of corruption issues including bribery, extortion, fraud and money laundering.

Community Investment

The Group understands that its support to the local communities is as important as its commitment to corporate profitability for long-term sustainability of the business. The Group is committed to deploy more resources in community investment planning and continuously seek opportunities to participate in charity and community activities including donations.

During the reporting period, the Group has engaged in a number of charity and community activities as follows:

- An amount of HK\$1,000 is made to subscribe for raffle tickets of the Society for the Relief of Disabled Children for its fund raising;
- Employees have participated voluntarily in the flag selling event organized by the Hong Kong Registered Contractors Association (“HKRCA”), which helps to raise funds for Hong Kong Federation of Handicapped Youth (“HKFHY”).
- A donation of HK\$1,000 has been made to the HKRCA to support the services of HKFHY.
- An amount of HK\$5,000 has been made to sponsor the event “不同種族建造從業員安全獎勵計劃2020-2021” organized by HKRCA with the aim to arouse work safety awareness of workers in different race.
- A “HKCA SME Construction Industry Meal Distribution Campaign” has been organized by the Small & Medium Enterprises Committee of the Hong Kong Construction Association, Limited (the “HKCA”) (the “SME Committee”) and in collaborate with Baptist Oi Kwan Social Service and a social enterprise restaurant. Mr. Tang Sze Wo (“Mr. SW Tang”), Chairman of the Board, led the employees of the Group to participate in the campaign to distribute meals and gift packs to the needy at Tsuen Wan and Mong Kok Oi Kwan Social Service Centre.
- A donation of HK\$10,000 has been made to the Hong Kong Construction Association Charity Fund Limited as funding for the community service events organized by the SME Committee.
- Mr. SW Tang has been elected as one of the Vice-Chairmen of the SME Committee Executive Panel for serving the 71st HKCA Council.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The ESG Guide Relevant Disclosure Section

The ESG Guide	Relevant Disclosure Section
A. Environmental	
<i>A1. Emissions</i>	
<u>General Disclosure</u>	
Information on:	“Environmental Protection – Emission” and “Environmental Protection – The Environmental and Natural Resources”
<ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer 	
relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	
KPI A1.1 The types of emissions and respective emission data.	“Environmental Protection – Emission – Air pollution” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Emission – Air pollution” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Emission – Wastes” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A1.5 Description of measures to mitigate emissions and results achieved.	“Environmental Protection – Emission – Air pollution”
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	“Environmental Protection – Emission – Wastes”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<i>A2. Use of Resources</i>	
<u>General Disclosure</u>	“Environmental Protection – Use of Resources”
Policies on the efficient use of resources, including energy, water and other raw materials.	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	“Environmental Protection – Use of Resources”
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	“Environmental Protection – Use of Resources”
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
<i>A3. The Environment and Natural Resources</i>	
<u>General Disclosure</u>	“Environmental Protection – The Environmental and Natural Resources”
Policies on minimising the issuer’s significant impact on the environment and natural resources.	
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	“Environmental Protection – The Environmental and Natural Resources”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p>B.Social <i>Employment and Labour Practices</i> B1. Employment <u>General Disclosure</u></p> <p>Information on:</p> <p>(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	<p>“Social Commitment – Employment and Labour Standards”</p>
<p>B2. Health and Safety <u>General Disclosure</u></p> <p>Information on:</p> <p>(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	<p>“Social Commitment – Health and Safety”</p>
<p>B3. Development and Training <u>General Disclosure</u></p> <p>Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.</p>	<p>“Social Commitment – Development and Training”</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p><i>B4. Labour Standards</i></p> <p><u>General Disclosure</u></p> <p>Information on:</p> <ul style="list-style-type: none">(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to preventing child and forced labour.</p>	“Social Commitment – Employment and Labour Standards”
<p><i>Operating Practices</i></p> <p><i>B5. Supply Chain Management</i></p> <p><u>General Disclosure</u></p> <p>Policies on managing environmental and social risks of the supply chain.</p>	“Social Commitment – Supply Chain Management”
<p><i>B6. Product Responsibility</i></p> <p><u>General Disclosure</u></p> <p>Information on:</p> <ul style="list-style-type: none">(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	“Social Commitment – Product Responsibility”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p><i>B7. Anti-corruption</i></p> <p><u>General Disclosure</u></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	<p>“Social Commitment – Anti-corruption”</p>
<p><i>Community</i></p> <p><i>B8. Community Investment</i></p> <p><u>General Disclosure</u></p> <p>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.</p>	<p>“Social Commitment – Community Investment”</p>

Note: Recommended disclosures in relation to the KPIs of social aspects were not reported in this Report.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF SHEUNG MOON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sheung Moon Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 90 to 159, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

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

Key audit matter

How our audit addressed the key audit matter

Revenue and direct costs from civil engineering construction contracts and contract assets/contract liabilities related to contract work

We identified the recognition of revenue and direct costs from civil engineering construction contracts and contract assets/contract liabilities related to contract work as a key audit matter due to the management's judgement and estimates involved in determining the progress and outcome of the construction project, particularly in estimating the total budget costs.

During the year ended 31 March 2021, the Group generated revenue of HK\$468,620,000 from and incurred direct costs of HK\$447,780,000 for civil engineering construction services. Contract assets and contract liabilities of HK\$175,171,000 and HK\$4,493,000, respectively, were recorded in the consolidated statement of financial position as at 31 March 2021.

Our procedures in relation to recognition of revenue and direct costs from civil engineering construction contracts and contract assets/contract liabilities related to contract work included:

- Understanding management's process in estimation of the contract revenue, budget costs and determination of completion status of the civil engineering construction contracts;
- Checking the total contract value to the contracts and variation orders, if any, on a sample basis;
- Checking the management approval of budgets of contracts and performing retrospective review of budgets by comparing the budgeted costs against the actual costs incurred to date, on a sample basis;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters – continued

Key audit matter

Revenue and direct costs from civil engineering construction contracts and contract assets/contract liabilities related to contract work – continued

The Group recognised contract revenue and direct costs of civil engineering construction contracts by reference to the inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation at the end of the reporting period. As disclosed in note 4 to consolidated financial statements, the recognition of revenue, direct costs and contract assets/contract liabilities related to contract work relies on the management's estimation of the progress and outcome of the construction project, which involves the exercise of significant management judgement, particularly in estimating the total budget costs, which are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred and the profitability assessment of on-going civil engineering construction contracts. The actual outcome of contracts in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and cost to be recognised.

How our audit addressed the key audit matter

- Testing the direct costs of civil engineering construction service incurred to date for respective projects by checking to the supporting documents, including the certificates and invoices issued by the major contractors/suppliers/vendors, on a sample basis;
- Evaluating the reasonableness of percentage of completion of civil engineering construction contracts in progress by discussing the progress of the construction projects with project managers and investigating any significant differences identified between the percentage of completion calculated based on costs incurred at the end of the reporting period against that calculated based on external surveyors' certifications, on a sample basis; and
- Checking the accuracy of the contract assets/contract liabilities related to contract work by comparing, on a sample basis, the amount of revenue recognised up to date against progress billings to customers.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters – continued

Key audit matter

Impairment assessment of trade receivables and contract assets

We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated statement of financial position and the involvement of management's judgements and estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.

As at 31 March 2021, the Group's net trade receivables and contract assets amounting to approximately HK\$38,737,000 and HK\$175,171,000 respectively, which represented approximately 10% and 46% of total assets of the Group respectively.

As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of loss allowance for trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The assessment of the credit risk of trade receivables and contract assets involves estimation uncertainty as the loss rates for debtors are assessed individually.

As disclosed in note 31 to the consolidated financial statements, the Group's aggregate lifetime ECL on trade receivables and contract assets as at 31 March 2021 amounting to approximately HK\$960,000 in aggregate.

How our audit addressed the key audit matter

Our procedures in relation to impairment assessment of trade receivables and contract assets included:

- Understanding the process on how the management estimates the credit loss allowance for trade receivables and contract assets;
- Testing the accuracy of information used by the management to access ECL, including trade receivables aging analysis as at 31 March 2021, on a sample basis, by comparing individual items in the analysis with the relevant invoices on progress payments of contract work; and
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 March 2021, including the estimation of loss rates for debtors that are assessed individually.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors 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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lee Wing Cheong, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	5	468,620	584,373
Direct costs		(447,780)	(530,241)
Gross profit		20,840	54,132
Other income	6	21,905	653
Other gains and losses	7	(943)	(1,300)
Impairment losses under expected credit loss model, net of reversal		(44)	(844)
Administrative expenses		(16,218)	(13,436)
Finance costs	8	(4,325)	(3,749)
Profit before taxation	9	21,215	35,456
Taxation	11	(568)	(6,551)
Profit and total comprehensive income for the year attributable to owners of the Company		20,647	28,905
Earnings per share (HK cents per share)			
Basic		5.16	7.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	14	76,152	73,281
Right-of-use assets	15	20,726	24,681
Investment property	16	12,400	13,000
Pledged bank deposits	20	21,212	21,184
		130,490	132,146
Current assets			
Trade and other receivables	17	51,552	86,196
Contract assets	18	175,171	127,263
Amount due from a joint operation	19	3,204	1,520
Bank balances and cash	20	22,339	27,775
		252,266	242,754
Current liabilities			
Trade and other payables	21	63,406	79,464
Contract liabilities	18	4,493	2,923
Amount due to a joint operation	19	241	117
Tax payable		1,372	2,259
Bank borrowings	22	108,920	100,465
Lease liabilities	23	5,514	6,336
		183,946	191,564
Net current assets		68,320	51,190
Total assets less current liabilities		198,810	183,336

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Lease liabilities	23	5,725	11,321
Deferred tax liabilities	24	8,620	8,197
		<u>14,345</u>	<u>19,518</u>
Net assets		<u>184,465</u>	<u>163,818</u>
Capital and reserves			
Share capital	25	4,000	4,000
Reserves		<u>180,465</u>	<u>159,818</u>
Total equity		<u>184,465</u>	<u>163,818</u>

The consolidated financial statements on pages 90 to 159 were approved and authorised for issue by the Board of Directors on 22 June 2021 and are signed on its behalf by:

TANG SZE WO
DIRECTOR

LAI YUNG SANG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Property revaluation reserve HK\$'000 (Note b)	Retained profits HK\$'000	
At 1 April 2019	4,000	63,701	10,262	2,695	54,255	134,913
Profit and total comprehensive income for the year	-	-	-	-	28,905	28,905
At 31 March 2020	4,000	63,701	10,262	2,695	83,160	163,818
Profit and total comprehensive income for the year	-	-	-	-	20,647	20,647
At 31 March 2021	4,000	63,701	10,262	2,695	103,807	184,465

Notes:

- (a) The other reserve of the Group represents the difference between the nominal amount of the share capital of Sheung Moon Construction Limited ("Sheung Moon Construction"), an indirect wholly-owned subsidiary of the Company, and the nominal amount of share capital of Attaway Developments Limited ("Attaway Developments"), a direct wholly-owned subsidiary of the Company, pursuant to the Group's reorganisation in preparation for the listing of the Company's shares.
- (b) During the year ended 31 March 2017, the use of property of the Group had been changed from owner-occupation to leasing out for rental income. The leasehold land and building with net book value of HK\$10,505,000 were transferred from property, plant and equipment to investment property at the date of the end of owner-occupation. Upon the change of intended use, the difference of HK\$2,695,000 between the net book value and the fair value of the property of HK\$13,200,000 was recognised in other comprehensive income and accumulated in "property revaluation reserve".

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	21,215	35,456
Adjustments for:		
Depreciation of property, plant and equipment	7,042	5,218
Depreciation of right-of-use assets	3,612	3,602
Finance costs	4,325	3,749
Impairment losses under expected credit loss model, net of reversal	44	844
Bank interest income	(28)	(183)
Loss on fair value of investment property	600	1,300
Compensation Income	(219)	–
Loss upon written-off of right-of-use assets	343	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	36,934	49,986
Decrease in trade and other receivables	30,120	24,141
Increase in contract assets	(48,103)	(53,547)
Increase in amount due from a joint operation	(1,684)	(1,520)
(Decrease) increase in trade and other payables	(14,987)	31,092
Increase (decrease) in contract liabilities	1,570	(2,311)
Increase in amount due to a joint operation	124	117
	<hr/>	<hr/>
Cash generated from operations	3,974	47,958
Hong Kong Profits Tax paid	(1,032)	(4,808)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	2,942	43,150
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(10,984)	(43,675)
Proceeds upon written off of right-of-use asset	51	–
Decrease (increase) in other receivables	2,133	(2,133)
Advance to a sub-contractor	(4,703)	(7,373)
Repayment from a sub-contractor	7,245	–
Placement of pledged bank deposits	(28)	(62)
Interest received	28	183
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(6,258)	(53,060)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
FINANCING ACTIVITIES		
New bank borrowings raised	263,517	218,692
Repayments of bank borrowings	(255,062)	(172,211)
Repayments of lease liabilities	(6,250)	(11,458)
Interest paid on bank borrowings	(3,635)	(2,622)
Interests paid on lease liabilities	(690)	(1,127)
	<hr/>	<hr/>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(2,210)	31,274
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,436)	21,364
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	27,775	6,411
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	22,339	27,775
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

Sheung Moon Holdings Limited (the “Company”) was incorporated and registered in the Cayman Islands as an exempted company with limited liability on 31 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as amended, consolidated or supplemented from time to time) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 February 2018. The immediate holding company of the Company is Chrysler Investments Limited, which is incorporated in the British Virgin Islands (“BVI”) and owned by Mr. Tang Sze Wo (“Mr SW Tang”). The address of the Company’s registered office is at PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is in office D, 27/F, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 37. The Company and its subsidiaries (the “Group”) are principally engaged in provision of civil engineering construction service.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

New and amendments to HKFRSs in issue but not yet effective – continued

- ¹ Effective for annual periods beginning on or after 1 January 2023
- ² Effective for annual periods beginning on or after 1 January 2022
- ³ Effective for annual periods beginning on or after a date to be determined
- ⁴ Effective for annual periods beginning on or after 1 June 2020
- ⁵ Effective for annual periods beginning on or after 1 January 2021
- ⁶ Effective for annual periods beginning on or after 1 April 2021

The directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basic of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and 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 values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.1 Basic of preparation of consolidated financial statements – continued

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.

For investment property which is transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting polices

Basis of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Basis of consolidation – continued

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

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

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

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

Interests in joint operations

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

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

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Revenue from contracts with customers

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Revenue from contracts with customers – continued

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

Input method

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

Variable consideration

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

For the purposes of measuring deferred tax for investment property that is measured using the fair value model, the carrying amounts of such properties are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Taxation – continued

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 to the same taxable entity by the same taxation authority.

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

Borrowing costs

All borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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. Such grants are presented under “other income”.

Retirement benefit costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Investment property

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties 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 or 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.

Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Property, plant and equipment – continued

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Leases

Definition of a lease

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Leases – continued

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of premises and site equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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 and impairment loss are transferred to property, plant and equipment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Impairment loss on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments

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

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.

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms 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 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

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

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

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

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, other receivables, amount due from a joint operation, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and trade nature amount due from a joint operation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

(i) *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.

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

(i) *Significant increase in credit risk – continued*

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.

(ii) *Definition of default*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

(iii) *Credit-impaired financial assets*

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

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

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

(v) *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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting polices – continued

Financial assets – continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on an investment property

For the purpose of measuring deferred tax liabilities arising from an investment property that is measured using the fair value model, the management of the Group has reviewed the investment property of the Group's subsidiary and concluded that the investment property is not held under 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. Therefore, the management of the Group has determined that the "sale" presumption set out in HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the management of the Group does not expect to have tax consequence on disposal of the investment property.

Key source of estimation uncertainty

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY – continued

Key source of estimation uncertainty – continued

Civil engineering construction contracts

The recognition of revenue, direct costs and contract assets/contract liabilities related to contract work relies on the management's estimation of the progress and outcome of the construction project, which involves the exercise of significant management judgement, particularly in estimating the total budget costs.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each civil engineering construction contract as the contract progresses. Budget costs are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of civil engineering construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion of the relevant performance obligation using input method, which are determined on the basis of a number of estimates. This includes the profitability assessment of on-going civil engineering construction contracts. For more complex contracts, in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes of contracts in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and cost to be recognised in future years as an adjustment to the amounts recorded to date, as well as to the carrying amounts of contract assets/contract liabilities related to contract work.

During the year ended 31 March 2021, the Group generated revenue of HK\$468,620,000 (2020: HK\$584,373,000) from and incurred direct costs of HK\$447,780,000 (2020: HK\$530,241,000) for civil engineering construction services. As at 31 March 2021, the carrying amounts of contract assets and contract liabilities are HK\$175,171,000 (2020: HK\$127,263,000) and HK\$4,493,000 (2020: HK\$2,923,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY – continued

Key source of estimation uncertainty – continued

Impairment assessment of trade receivables and contract assets

The management of the Group estimates the amount of loss allowance for trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The assessment of the credit risk of trade receivables and contract assets involves estimation uncertainty as it involves the determination of loss rates for debtors that are assessed individually. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly. As at 31 March 2021, the carrying amount of trade receivables and contract assets were HK\$38,737,000 (2020: HK\$72,028,000) and HK\$175,171,000 (2020: HK\$127,263,000) respectively (net of allowance for credit losses on trade receivables and contract assets of HK\$46,000 (2020: HK\$103,000) and HK\$914,000 (2020: HK\$719,000) respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

5. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable from the civil engineering construction services provided by the Group to external customers. The Group's revenue is solely derived from civil engineering construction services in Hong Kong during the year.

(i) Revenue from contracts with customers

Revenue from provision of civil engineering construction services during the year is analysed as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Civil engineering construction contracts recognised over time	<u>468,620</u>	<u>584,373</u>

(ii) Performance obligations for contracts with customers

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. When the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

5. REVENUE AND SEGMENT INFORMATION – continued

Revenue – continued

(ii) Performance obligations for contracts with customers – continued

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

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

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 March 2021 and 2020 and the expected timing of recognising revenue are as follows:

	2021 HK\$'000	2020 HK\$'000
Civil engineering construction contracts		
Expected to be recognised within one year	445,262	518,728
Expected to be recognised over one year	377,932	163,443
	823,194	682,171

Segment information

The executive directors of the Company, being the chief operating decision maker (“CODM”), regularly review revenue analysis by nature of business. The executive directors of the Company considered the operating activities of civil engineering construction services as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform with HKFRSs, and is regularly reviewed by the CODM. The CODM reviews the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation and performance evaluation. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

5. REVENUE AND SEGMENT INFORMATION – continued

Segment information – continued

All of the Group's revenue from external customers and all of the Group's non-current assets were generated from and physically located in Hong Kong during the years ended 31 March 2021 and 2020.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	N/A*	109,984
Customer B	<u>241,222</u>	<u>312,839</u>

* Revenue from the relevant customer was less than 10% of the Group's total revenue for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government subsidiaries (Note)	20,312	–
Bank interest income	28	183
Rental income	389	395
Compensation income	219	–
Project management income	468	–
Sundry income	400	–
Others	89	75
	<u>21,905</u>	<u>653</u>

Note: During the year ended 31 March 2021, the Group received government grants of approximately HK\$20,312,000 in respect of COVID-19-related subsidies, of which approximately HK\$20,002,000 related to Employment Support Scheme provided by the Hong Kong Special Administrative Region (“HKSAR Government”) Government and approximately HK\$310,000 related to one-off subsidy from Transportation Department of the HKSAR Government.

7. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value change of investment property	(600)	(1,300)
Loss upon written-off of right-of-use assets	(343)	–
	<u>(943)</u>	<u>(1,300)</u>

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on:		
Bank borrowings	3,635	2,622
Lease liabilities	690	1,127
	<u>4,325</u>	<u>3,749</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

9. PROFIT BEFORE TAXATION

	2021	2020
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 10)	4,282	3,820
Other staff costs	153,259	143,396
Retirement benefit scheme contributions for other staff	5,356	5,390
Total staff costs	162,897	152,606
Auditor's remuneration	1,100	1,100
Depreciation of property, plant and equipment	7,042	5,218
Depreciation of right-of-use assets	3,612	3,602
Gross rental income from investment property (included in other income)	(389)	(395)
Less: direct operating expense incurred for investment property that generate rental income for the year	53	63
	(336)	(332)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

(i) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors of the Company by the Group during the year are as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2021				
Executive directors:				
Mr. SW Tang	-	2,340	18	2,358
Lai Yung Sang	-	1,690	18	1,708
Independent non-executive directors:				
Wong Kwok Yiu Chris	72	-	-	72
Wong Choi Chak	72	-	-	72
Leung Kim Hong	72	-	-	72
	<u>216</u>	<u>4,030</u>	<u>36</u>	<u>4,282</u>
2020				
Executive directors:				
Mr. SW Tang	-	2,130	18	2,148
Lai Yung Sang	-	1,480	18	1,498
Independent non-executive directors:				
Wong Kwok Yiu Chris	58	-	-	58
Wong Choi Chak	58	-	-	58
Leung Kim Hong	58	-	-	58
	<u>174</u>	<u>3,610</u>	<u>36</u>	<u>3,820</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(i) Directors' and chief executive's emoluments – continued

Mr. SW Tang acts as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Neither the chief executive nor any of the directors of the Company waived any emoluments during the year.

(ii) Information regarding employees' emoluments

For the year ended 31 March 2021, out of the five individuals with the highest emoluments in the Group, two (2020: two) were directors of the Company, whose emoluments are included in the disclosures above. The emoluments of the remaining three (2020: three) individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Employees		
– Salaries and other benefits	2,739	2,440
– Retirement benefit scheme contributions	51	54
	<u>2,790</u>	<u>2,494</u>

The number of the highest paid employees who are not directors of the Company have their emoluments within the following band:

	Number of employees	
	2021	2020
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

11. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Tax charge comprises:		
Hong Kong Profits Tax:		
Current tax	145	4,167
Underprovision in prior years	–	85
	<u>145</u>	<u>4,252</u>
Deferred taxation (note 24)	423	2,299
	<u>568</u>	<u>6,551</u>

The Hong Kong Profits Tax of a subsidiary of the Group is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of group entities not qualifying for the two-tiered profits tax regime will be taxed at a flat rate of 16.5%.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation	<u>21,215</u>	<u>35,456</u>
Taxation at the Hong Kong Profits Tax rate of 16.5%	3,500	5,850
Tax effect of expenses not deductible for tax purposes	560	811
Tax effect of income not taxable for tax purposes	(3,330)	(30)
Effect of tax concession	(162)	(165)
Underprovision in prior years	–	85
Taxation for the year	<u>568</u>	<u>6,551</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

12. DIVIDENDS

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 March 2021 (2020: nil).

13. EARNINGS PER SHARE

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

	2021	2020
	HK\$'000	HK\$'000
Earnings		
Profits for the year attributable to owners of the Company for the purposes of calculating basic earnings per share	<u>20,647</u>	<u>28,905</u>
	<u>'000</u>	<u>'000</u>
Number of shares		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>400,000</u>	<u>400,000</u>

No diluted earnings per share for the years ended 31 March 2021 and 2020 were presented as there were no potential ordinary shares in issue during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Office equipment, furniture and fixtures HK\$'000	Total HK\$'000
COST						
At 1 April 2019	-	152	5,734	26,567	1,359	33,812
Additions	32,195	-	2,390	9,106	405	44,096
Transfer from right-of-use assets	-	-	5,230	4,000	-	9,230
At 31 March 2020	32,195	152	13,354	39,673	1,764	87,138
Additions	-	991	515	8,073	334	9,913
Written off	-	(152)	-	-	-	(152)
At 31 March 2021	32,195	991	13,869	47,746	2,098	96,899
DEPRECIATION						
At 1 April 2019	-	96	927	4,879	520	6,422
Provided for the year	107	46	1,020	3,592	453	5,218
Transfer from right-of-use assets	-	-	1,950	267	-	2,217
At 31 March 2020	107	142	3,897	8,738	973	13,857
Provided for the year	644	87	1,373	4,435	503	7,042
Elimination on written off	-	(152)	-	-	-	(152)
At 31 March 2021	751	77	5,270	13,173	1,476	20,747
CARRYING AMOUNTS						
At 31 March 2021	31,444	914	8,599	34,573	622	76,152
At 31 March 2020	32,088	10	9,457	30,935	791	73,281

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, over the following terms or at the following rates per annum:

Land and building	2%
Leasehold improvements	Over the lease terms
Motor vehicles	10% – 20%
Plant and machinery	10%
Office equipment, furniture and fixtures	20% – 30%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

14. PROPERTY, PLANT AND EQUIPMENT – continued

The Group's building is situated on land in Hong Kong.

As at 31 March 2021, the net book values of land and building include an amount of HK\$31,444,000 (2020: HK\$32,088,000), the net book values of motor vehicles include an amount of HK\$869,000 (2020: HK\$976,000), and net book values of plant and machinery include an amount of HK\$5,190,000 (2020: HK\$6,870,000) in respect of assets held under secured bank borrowings.

15. RIGHT-OF-USE ASSETS

The lease terms of the Group's motor vehicles and plant and machinery range from 5 to 10 years. Depreciation is provided to write off the cost of items of right-of-use assets over their expected useful lives using straight-line method. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, the assets are depreciated over the lease term. Their useful lives are over the following terms or at following rate per annum:

Leased property	Over the lease terms			
Motor vehicles	10 – 20%			
Plant and machinery	10%			
	Leased property	Motor vehicles	Plant and machinery	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST				
At 1 April 2019	–	13,042	13,411	26,453
Addition	545	12,147	1,498	14,190
Transfer to property, plant and equipment	–	(5,230)	(4,000)	(9,230)
	<u>545</u>	<u>19,959</u>	<u>10,909</u>	<u>31,413</u>
At 31 March 2020	545	19,959	10,909	31,413
Disposal/written off	(545)	(496)	–	(1,041)
	<u>–</u>	<u>19,463</u>	<u>10,909</u>	<u>30,372</u>
At 31 March 2021	–	19,463	10,909	30,372
DEPRECIATION				
At 1 April 2019	–	3,514	1,833	5,347
Provided for the year	156	2,225	1,221	3,602
Transfer to property, plant and equipment	–	(1,950)	(267)	(2,217)
	<u>156</u>	<u>3,789</u>	<u>2,787</u>	<u>6,732</u>
At 31 March 2020	156	3,789	2,787	6,732
Provided for the year	389	2,045	1,178	3,612
Elimination on disposal/written off	(545)	(153)	–	(698)
	<u>–</u>	<u>5,681</u>	<u>3,965</u>	<u>9,646</u>
At 31 March 2021	–	5,681	3,965	9,646
CARRYING VALUES				
At 31 March 2021	<u>–</u>	<u>13,782</u>	<u>6,944</u>	<u>20,726</u>
At 31 March 2020	389	16,170	8,122	24,681

As at 31 March 2021, motor vehicles and plant and machinery with carrying values of HK\$13,782,000 and HK\$6,944,000 respectively (2020: HK\$16,170,000 and HK\$8,122,000) respectively, were held under lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

15. RIGHT-OF-USE ASSETS – continued

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Expenses relating to short-term leases		
– site equipment	24,533	45,803
– rented premises	–	336
Total cash outflow for leases	31,641	58,724

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. INVESTMENT PROPERTY

	<i>HK\$'000</i>
FAIR VALUE	
As at 1 April 2019	14,300
Fair value change during the year	<u>(1,300)</u>
As at 31 March 2020	13,000
Fair value change during the year	<u>(600)</u>
As at 31 March 2021	<u>12,400</u>

The Group's property interests held under operating leases to earn rentals for capital appreciation purposes are measured using the fair value and are classified and accounted as investment property.

The fair value of the Group's investment property as at 31 March 2021 and 2020 has been arrived at on the basis of a valuation carried out by CHFT Advisory and Appraisal Limited, independent qualified professional valuers not connected to the Group. The fair value was determined based on direct comparison method making reference to comparable sales transactions as available in the relevant markets.

In determining the fair value of the property, the directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

16. INVESTMENT PROPERTY – continued

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The directors of the Company work closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

In estimating the fair value of the investment property, the highest and best use of the property is its current use.

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment property held by the Company	Fair value as at		Fair value hierarchy	Valuation technique and key input(s)
	31 March 2021 HK\$'000	31 March 2020 HK\$'000		
Commercial property in Hong Kong	12,400	13,000	Level 2	Direct comparison method based on the market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties

There were no transfers into or out of Level 2 during the year.

As at 31 March 2021 and 2020, the Group has pledged the investment property to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

17. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables – net of allowance for credit losses	38,737	72,028
Prepayments (Note a)	3,479	313
Deposits (Note b)	4,692	4,646
Other receivables (Note c)	4,644	9,209
	51,552	86,196

Note a: As at 31 March 2021, included in prepayments are balances of HK\$3,252,000 (2020: nil) which were paid to several vendors for the set up of various systems at the construction sites to fulfill the requirements of the construction projects.

Note b: As at 31 March 2021, a deposit of HK\$3,323,000 (2020: HK\$3,323,000) which has been placed to a main contractor for arranging a surety bond with a bank for a construction project which the main contractor had partially sub-contracted to the Group. The amount is interest-free and repayable within 7 days upon the bank released the original surety bond to the main contractor.

Note c: As at 31 March 2021, other receivables included an advance of HK\$4,831,000 (2020: HK\$7,373,000) (being the gross amount without allowance for credit losses of HK\$203,000 (2020: HK\$297,000)) to a sub-contractor for a construction project which the Group had sub-contracted. The amount is unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period. The shareholder of the sub-contractor had provided personal guarantee in respect of such advances to the sub-contractor.

As at 31 March 2020, other receivables also included a rebate receivable of HK\$2,133,000 from an independent party which is a property agent company, for a commercial property purchased by the Group during the year ended 31 March 2020. The entire amount was received by the Group during the year ended 31 March 2021.

The Group allows credit period ranging from 30 to 45 days to its customers from the date of invoices on progress payments of contract work. The following is an ageing analysis of the trade receivables presented based on the customer's payment certificate date at the end of the reporting period, net of the credit loss allowance:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	20,880	36,727
31 – 60 days	17,851	31,686
61 – 90 days	–	707
91 – 180 days	6	2,908
	38,737	72,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

17. TRADE AND OTHER RECEIVABLES – continued

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$39,000 (2020: HK\$4,394,000) which are past due as at the reporting date, HK\$39,000 (2020: HK\$3,010,000) of these overdue balances were past due over 90 days. The Group does not hold any collateral over these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality, their qualifications and experience in the civil engineering construction industry. Credit limits attributable to customers are reviewed regularly.

Trade receivables

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Loss allowances for trade receivables has been measured at an amount equal to lifetime ECL.

Details of the impairment assessment of trade receivables are set out in note 31.

Other receivables

For the purpose of impairment assessment of other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition. The Group performs impairment assessment under 12-month ECL model.

Details of impairment assessment of other receivables are set out in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. CONTRACT ASSETS/CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets:		
Unbilled revenue from construction services	151,800	110,378
Retention receivables	23,371	16,885
	<u>175,171</u>	<u>127,263</u>
Contract liabilities:		
Advances from customers	4,493	2,923

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unbilled revenue from construction services analysed on a gross basis of:		
Contract assets (net of loss allowances)	152,573	110,805
Contract liabilities	(773)	(427)

Contract assets arise when the Group has right to consideration for completion of civil engineering construction services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, the Group recognises a contract liability for such difference.

Contract assets and contract liabilities are classified as current assets and current liabilities, as they are expected to be settled within the Group's normal operating cycle.

Retention receivables is unsecured and interest-free and represented the monies withheld by customers and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, usually being 1 to 2 years from the date of completion of respective civil engineering construction services projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. CONTRACT ASSETS/CONTRACT LIABILITIES – continued

Part of the Group's contract assets are the retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts at the end of the reporting period as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
On demand or within one year	6,749	4,847
After one year	16,622	12,038
	<u>23,371</u>	<u>16,885</u>

Details of the impairment assessment of contract assets are set out in note 31.

Typical payment terms which impact on the amount of advances from customers in contract liabilities recognised are as follows:

When the Group receives advances from customers to purchase construction materials, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the advances.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Advances from customers <i>HK\$'000</i>	Deferred income from construction services <i>HK\$'000</i>
For the year ended 31 March 2021		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>2,923</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. CONTRACT ASSETS/CONTRACT LIABILITIES – continued

	Advances from customers <i>HK\$'000</i>	Deferred income from construction services <i>HK\$'000</i>
For the year ended 31 March 2020		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>5,077</u>	<u>88</u>

The changes in contract assets and contract liabilities are mainly due to i) adjustments arising from changes in the measure of progress of contract work of ongoing and completed contracts due to increment of construction projects, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Contract liabilities as at the end of each reporting period are recognised as revenue in subsequent years.

19. AMOUNT DUE FROM (TO) A JOINT OPERATION

(i) The amount due from a joint operation comprise:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade related (Note a)	3,198	1,514
Non-trade related (Note b)	<u>6</u>	<u>6</u>
	<u>3,204</u>	<u>1,520</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

19. AMOUNT DUE FROM (TO) A JOINT OPERATION – continued

- (i) The amount due from a joint operation comprise: – continued

Notes:

- (a) The Group allows a credit period of up to 45 days on amount due from a joint operation. The aged analysis of the Group's trade-related amount due from a joint operation based on invoice date at the end of the reporting period are as follows:

	2021	2020
	HK\$'000	HK\$'000
0 – 30 days	1,883	1,514
31 – 60 days	1,315	–
	3,198	1,514

There is no past due balance as at 31 March 2021 and 2020. Details of the impairment assessment of the amount due from a joint operation are set out in note 31.

- (b) The amount is unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period.

- (ii) The amount due to a joint operation comprise:

	2021	2020
	HK\$'000	HK\$'000
Trade related (Note)	241	117

Note:

The credit period for trade-related amount due to a joint operation is up to 60 days. The ageing analysis of the Group's trade-related amounts due to a joint operation based on invoice date at the end of the reporting period is as follows:

	2021	2020
	HK\$'000	HK\$'000
0 – 30 days	241	117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

20. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits of HK\$21,212,000 (2020: HK\$21,184,000) represents bank deposits pledged to banks to secure bank borrowings of the Group amounting to HK\$73,691,000 (2020: HK\$76,037,000) as at 31 March 2021 which is expected to be recovered after one year and therefore classified as non-current assets. The pledged bank deposits carry fixed interest rate ranging from 0.10% to 2.20% (2020: at 0.10% to 2.20%) per annum as at 31 March 2021.

Bank balances carry interest at prevailing market rate of 0.001% (2020: 0.001%) per annum as at 31 March 2021.

21. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	44,751	58,317
Retention payables	3,781	6,119
Accruals and other payables	1,981	1,668
Accrued salaries	11,893	11,289
Payables for acquisition of property, plant and equipment	1,000	2,071
	63,406	79,464

The credit period of trade payables is ranging from 0 to 30 days.

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

	As at 31 March	
	2021 HK\$'000	2020 HK\$'000
0 – 30 days	26,820	43,728
31 – 60 days	7,090	2,728
61 – 90 days	3,718	7,993
Over 90 days	7,123	3,868
	44,751	58,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

22. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured and variable-rate bank borrowings	102,055	94,105
Unsecured and fixed-rate bank borrowings	6,865	6,360
	<u>108,920</u>	<u>100,465</u>
The carrying amounts are repayable*:		
Within one year	86,669	72,767
More than one year but not exceeding two years	4,373	6,017
More than two years but not exceeding five years	6,452	7,527
More than five years	11,426	14,154
	<u>108,920</u>	<u>100,465</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements. However, as all bank borrowings contained a repayable on demand clause and therefore all of the Group's bank borrowings are classified as current liabilities.

The above variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate less a spread to Hong Kong Prime Rate plus a spread. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2021	2020
Effective interest rate per annum:		
Fixed-rate bank borrowings	<u>4.36% to 5.06%</u>	<u>4.36% to 4.84%</u>
Variable-rate bank borrowings	<u>1.88% to 4.49%</u>	<u>2.80% to 5.10%</u>

The secured bank borrowings are secured by the investment property and certain property, plant and equipment owned by the Company as stated in notes 16 and 14, respectively and/or the pledged bank deposits as stated in note 20. As at 31 March 2021 and 2020, all bank borrowings of the Group are guaranteed by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

23. LEASE LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	5,514	6,336
More than one year but not exceeding two years	3,701	5,595
More than two years but not exceeding five years	2,024	5,726
	11,239	17,657
Less: Amount due for settlement with 12 months shown under current liabilities	(5,514)	(6,336)
Amount due for settlement after 12 months shown under non-current liabilities	5,725	11,321

The weighted average incremental borrowings rates applied to lease liabilities range from 3.26% to 6.58% (2020: from 3.26% to 6.58%).

Restrictions or covenants on leases

As at 31 March 2021, included in the Group's lease liabilities, balances amounting to approximately of HK\$149,000 (2020: HK\$666,000) were recognised, with related right-of-use assets of HK\$143,000 (2020: HK\$658,000), of which the relevant lease agreements do not impose any covenants other than the security deposits in the leased assets that are held by the lessor. The related leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

24. DEFERRED TAX LIABILITIES

The followings are the deferred tax liability recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2019	5,898
Charge to profit or loss (note 11)	<u>2,299</u>
At 31 March 2020	8,197
Charge to profit or loss (note 11)	<u>423</u>
At 31 March 2021	<u>8,620</u>

25. SHARE CAPITAL

Details of the share capital of the Company are disclosed as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020 and 2021	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 April 2019, 31 March 2020 and 2021	<u>400,000,000</u>	<u>4,000</u>

There was no movement in the Company's share capital during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

26. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Undiscounted lease payments receivable on lease are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	263	395
In the second year	–	263
	263	658

27. NON-CASH TRANSACTION

During the year ended 31 March 2020, the Group entered into new lease agreements in respect of a leased property, motor vehicles and plant and machinery with total value of right-of-use asset HK\$14,190,000 and lease liabilities HK\$14,190,000 at the inception of the lease agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

28. RETIREMENT BENEFIT SCHEME

The Group participates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK\$1,500 per employee per month.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the scheme by the Group for staff employees and directors of the Company are disclosed in notes 9 and 10, respectively.

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 24 January 2018 for the primary purpose of providing incentives to directors and eligible employees. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years. Details of the Scheme are set out in the section headed "Share Option Scheme" of the report of the directors in the annual report of the Company for the year ended 31 March 2021.

No share options were granted, exercised, cancelled or lapsed under the Scheme during both years nor outstanding as at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners 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 net debt, which includes bank borrowings and lease liabilities, as disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through new share issue as well as the issue of new debts or the redemption of existing debts.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial assets		
Amortised cost	<u>94,828</u>	<u>136,362</u>
Financial liabilities		
Amortised cost	<u>158,826</u>	<u>167,348</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a joint operation, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a joint operation, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 22 for details of the bank borrowings). The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, bank borrowings and lease liabilities.

The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HK\$ Best Lending Rate or Hong Kong Prime Rate arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The directors of the Company consider the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year and 50 basis points increase or decrease are used.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2021 would decrease/increase by approximately HK\$426,000 (2020: HK\$393,000).

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables, contract assets, amount due from a joint operation, pledged bank deposits and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period. As at 31 March 2021 and 2020, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Trade receivables, contract assets and trade-related amount due from a joint operation

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain customers. The Group's largest debtor contributed approximately 54% (2020: 68%) of the Group's trade receivables and 30% (2020: 32%) of the Group's contract assets. The Group's five largest debtors contributed approximately 87% (2020: 96%) of the Group's trade receivables and 53% (2020: 74%) of the Group's contract assets, respectively.

Other receivables and deposits and non-related nature amount due from a joint operation

For other receivables and deposits and non-trade related amount due from a joint operation, the management of the Group makes periodic individual assessment on the recoverability of other receivables and deposits and non-trade related amount due from a joint operation based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's other receivables and deposits and non-trade related amount due from a joint operation.

Pledged bank deposits and bank balances

The management of the Group considers the pledged bank deposits and bank balances that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. The management of the Group considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

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

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12 m ECL – not credit-impaired
Medium	Debtor regularly repays on time but sometimes settles after due date	Lifetime ECL – not credit-impaired	12 m ECL – not credit-impaired
High	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – 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 of debtors over two years after due date	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					2021 HK\$'000	2020 HK\$'000
Financial assets at amortised cost						
Trade receivables	17	N/A	Note a	Lifetime ECL (individual assessment)	38,783	72,131
Other receivables and deposits	17	N/A	Note b	12m ECL	9,539	14,152
Amount due from a joint operation (trade-nature)	19	N/A	Note a	Lifetime ECL (individual assessment)	3,198	1,514
Amount due from a joint operation (non-trade-nature)	19	N/A	Note b	12m ECL	6	6
Pledged bank deposits	20	Aa3 to A1	N/A	12m ECL	21,212	21,184
Bank balances	20	Aa3 to Baa2	N/A	12m ECL	22,339	27,775
Other item						
Contract assets	18	N/A	Note a	Lifetime ECL (individual assessment)	176,085	127,982

Notes:

- For trade receivables, contract assets and amount due from a joint operation (trade nature), the Group has applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime ECL. The Group determines the expected credit losses on these items on an individual basis.
- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. All of these balances are not past due at 31 March 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its civil engineering construction services operation. The lifetime ECL on trade receivables and contract assets are assessed individually with credit loss rates ranging from 0.05% to 2.68% (2020: 0.05% to 2.67%).

The following table shows the movement in lifetime ECL (not credit-impaired) recognised for trade receivables and contract assets under the simplified approach and 12m ECL (not credit-impaired) recognised for other receivables.

	Lifetime ECL (not credit-impaired)		12m ECL (not credit-impaired)	Total HK\$'000
	Trade receivables HK\$'000	Contract assets HK\$'000	Other receivables HK\$'000	
As at 1 April 2019	123	152	–	275
Changes due to assets recognised as at 1 April 2019:				
Impairment losses reversed	(123)	(152)	–	(275)
New assets originated	103	719	297	1,119
As at 31 March 2020	103	719	297	1,119
Changes due to assets recognised as at 1 April 2020:				
Impairment losses reversed	(103)	(719)	(297)	(1,119)
New assets originated	46	914	203	1,163
As at 31 March 2021	46	914	203	1,163

Changes in credit loss allowance for trade receivables and contract assets during the years ended 31 March 2021 and 2020 are mainly due to the settlement of trade debtor and conversion of contract assets brought forward from 1 April 2019 and 2020 to trade receivables and its subsequent settlement and impairment allowance recognised for new trade receivables and contract assets.

Change in credit loss allowance for other receivables during the years ended 31 March 2021 is due to a repayment from (2020: an advance to) a sub-contractor. The 12m ECL on other receivables is assessed individually with credit loss rate of 4.2% (2020: 4.03%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. 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 directors of the Company to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows. The directors of the Company monitor the utilisation of bank borrowings and ensure compliances with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
31 March 2021						
Non-derivative financial liabilities						
Trade and other payables	N/A	49,665	-	-	49,665	49,665
Amount due to a joint operation	N/A	241	-	-	241	241
Bank borrowings	2.96	108,920	-	-	108,920	108,920
		<u>158,826</u>	<u>-</u>	<u>-</u>	<u>158,826</u>	<u>158,826</u>
Lease liabilities	4.75	5,928	3,906	2,080	11,914	11,239
31 March 2020						
Non-derivative financial liabilities						
Trade and other payables	N/A	66,766	-	-	66,766	66,766
Amount to due to a joint operation	N/A	117	-	-	117	117
Bank borrowings	4.36	100,465	-	-	100,465	100,465
		<u>167,348</u>	<u>-</u>	<u>-</u>	<u>167,348</u>	<u>167,348</u>
Lease liabilities	4.96	7,059	6,023	5,968	19,050	17,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Bank borrowings with a repayment on demand clause are included in the “On demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2021, the aggregate carrying amount of these bank borrowings is approximately HK\$108,920,000 (2020: HK\$100,465,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the directors of the Company review the expected cash flow information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:							
31 March 2021	2.96	<u>87,411</u>	<u>4,854</u>	<u>7,555</u>	<u>12,336</u>	<u>112,156</u>	<u>108,920</u>
31 March 2020	4.36	<u>73,982</u>	<u>6,972</u>	<u>9,981</u>	<u>19,100</u>	<u>110,035</u>	<u>100,465</u>

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

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group’s financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. FINANCIAL INSTRUMENTS – continued

Fair value measurements of financial instruments – continued

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) – continued

The fair value of the financial assets and liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing model based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

32. MOVEMENT ON GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	53,984	14,925	68,909
Financing cash flows	43,859	(12,585)	31,274
New leased entered	–	14,190	14,190
Finance costs recognised	2,622	1,127	3,749
	<hr/>	<hr/>	<hr/>
At 31 March 2020	100,465	17,657	118,122
Financing cash flows	4,820	(6,940)	(2,120)
Termination of lease agreement	–	(168)	(168)
Finance costs recognised	3,635	690	4,325
	<hr/>	<hr/>	<hr/>
At 31 March 2021	108,920	11,239	120,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

33. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Company during the years ended 31 March 2021 and 2020, which is disclosed in note 10 to the consolidated financial statements.

34. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings and lease liabilities were secured by the following assets:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Investment property	12,400	13,000
Property, plant and equipment	37,503	39,934
Right-of-use assets	20,440	24,023
Bank deposits	21,212	21,184
	<u>91,555</u>	<u>98,141</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets		
Investment in a subsidiary	48,304	48,304
Loan to a subsidiary	9,300	9,300
Amount due from a subsidiary	22,900	22,600
	80,504	80,204
Current assets		
Amounts due from subsidiaries	11,783	11,485
Bank balances	503	671
	12,286	12,156
Current liabilities		
Other payables	413	194
Amount due to a subsidiary	7,133	5,576
	7,546	5,770
Net current assets	4,740	6,386
Net assets	85,244	86,590
Capital and reserves		
Share capital (note 25)	4,000	4,000
Reserves (Note)	81,244	82,590
Total equity	85,244	86,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

Movement of the Company's reserves is as follow:

	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	63,701	33,825	(13,333)	84,193
Loss and total comprehensive expense for the year	–	–	(1,603)	(1,603)
At 31 March 2020	63,701	33,825	(14,936)	82,590
Loss and total comprehensive expense for the year	–	–	(1,346)	(1,346)
At 31 March 2021	63,701	33,825	(16,282)	81,244

36. JOINT OPERATION

Particulars of the Group's joint operation of the end of each reporting period are as follows:

Name of joint operation	Place of Establishment and operation	Form of business	Proportion of voting right held by the Group		Proportion of ownership interests held by the Group		Principal activities
			2021	2020	2021	2020	
Concentric – Sheung Moon	Hong Kong	Unincorporated	50%	50%	40%	40%	Construction and civil engineering

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

37. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2021	2020	
Attaway Developments*	BVI	Hong Kong	US\$100	100%	100%	Investment holding
Sheung Moon Construction#	Hong Kong	Hong Kong	HK\$10,261,620	100%	100%	Civil engineering construction business in Hong Kong
Sheung Moon Properties Limited#	Hong Kong	Hong Kong	HK\$1,000	100%	100%	Property holding
Wui Kee Construction Limited#	Hong Kong	Hong Kong	HK\$1,000	100%	100% (Note)	Civil engineering construction business in Hong Kong

* Directly held by the Company.

Indirectly held by the Company.

Note: This company was incorporated by the Group during the year ended 31 March 2020.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

SUMMARY OF MAJOR INVESTMENT PROPERTY

As at 31 March 2021

INVESTMENT PROPERTY HELD FOR RENTAL PURPOSES

Descriptions	Gross floor area (sq.ft.)	Nature of property	Attributable interest of the Group	Category of lease
Unit 1, 19/F., Global Gateway Tower 63 Wing Hong Street Cheung Sha Wan Kowloon Hong Kong	1,430	Commercial	100%	Medium-term Lease