QUANTONG HOLDINGS LIMITED
全通控股有限公司

(formerly known as Pak Wing Group (Holdings) Limited)
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8316

ANNUAL REPORT
2021

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Xing Yuan *(Chairman)*
(appointed on 10 February 2021)
Mr. Ji Zhendong *(Chief Executive Officer)*
(appointed on 20 January 2021)
Mr. Lai Yanjun (appointed on 20 January 2021)
Ms. Xu Zhi (appointed on 20 January 2021)
Mr. Zhang Weijie *(Chairman)*
(retired on 21 August 2020)
Mr. Wong Chin To *(Chairman)*
(resigned on 10 February 2021)
Mr. Lau Yik Lok *(Chief Executive Officer)*
(appointed on 16 September 2020 and resigned on 10 February 2021)
Mr. Duan Ximing *(Chief Executive Officer)*
(retired on 21 August 2020)

Non-executive Director:

Mr. Xing Lei (appointed on 10 February 2021)

Independent non-executive Directors:

Mr. Wong Chun Hung (appointed on 20 January 2021)
Mr. Kung Wai Chiu Marco
(appointed on 20 January 2021)
Ms. Wong Chi Yan (appointed on 20 January 2021)
Mr. Lee Man Yeung (resigned on 10 February 2021)
Mr. Sai Chun Yu (appointed on 29 April 2020 and resigned on 10 February 2021)
Mr. Lee Yan Sang (appointed on 29 April 2020 and resigned on 10 February 2021)
Mr. Yang Zida (resigned on 29 April 2020)

BOARD COMMITTEES

Audit Committee

Mr. Wong Chun Hung *(Chairman)*
(appointed on 20 January 2021)
Mr. Kung Wai Chiu Marco
(appointed on 20 January 2021)
Ms. Wong Chi Yan (appointed on 20 January 2021)
Mr. Sai Chun Yu *(Chairman)*
(appointed on 29 April 2020 and resigned on 10 February 2021)
Mr. Lee Man Yeung (resigned on 10 February 2021)
Mr. Lee Yan Sang (appointed on 29 April 2020 and resigned on 10 February 2021)
Mr. Yang Zida *(Chairman)*
(resigned on 29 April 2020)

Remuneration Committee

Mr. Kung Wai Chiu Marco *(Chairman)*
(appointed on 20 January 2021)
Mr. Wong Chun Hung (appointed on 20 January 2021)
Ms. Wong Chi Yan (appointed on 20 January 2021)
Mr. Lee Man Yeung *(Chairman)*
(resigned on 10 February 2021)
Mr. Sai Chun Yu (appointed on 29 April 2020 and resigned on 10 February 2021)
Mr. Lee Yan Sang (appointed on 29 April 2020 and resigned on 10 February 2021)
Mr. Yang Zida (resigned on 29 April 2020)

Nomination Committee

Mr. Xing Yuan *(Chairman)*
(appointed on 10 February 2021)
Ms. Wong Chi Yan (appointed on 20 January 2021)
Mr. Wong Chun Hung (appointed on 20 January 2021)
Mr. Kung Wai Chiu Marco
(appointed on 20 January 2021)
Mr. Lee Man Yeung *(Chairman)*
(resigned on 10 February 2021)
Mr. Sai Chun Yu (appointed on 29 April 2020 and resigned on 10 February 2021)
Mr. Wong Chin To (resigned on 10 February 2021)
Mr. Lee Yan Sang (appointed on 29 April 2020 and resigned on 10 February 2021)
Mr. Yang Zida (resigned on 29 April 2020)

COMPANY SECRETARY

Ms. Wong Ka Yan (appointed on 24 May 2021)
Ms. Li On Lok (resigned on 24 May 2021)

AUTHORISED REPRESENTATIVES

Mr. Xing Yuan (appointed on 10 February 2021)
Ms. Wong Ka Yan (appointed on 24 May 2021)
Mr. Wong Chin To (resigned on 10 February 2021)
Ms. Li On Lok (resigned on 24 May 2021)

COMPLIANCE OFFICER

Mr. Xing Yuan (appointed on 10 February 2021)
Mr. Wong Chin To (resigned on 10 February 2021)

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F
Shum Tower
268 Des Voeux Road Central
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKS

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
G/F, 22 Caine Road
Central, Hong Kong

COMPANY'S WEBSITE

www.quantongholdings.com

STOCK CODE

8316

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

REVIEW

The Group is principally engaged in foundation works business as a subcontractor in Hong Kong. Our customers principally comprise main contractors and subcontractors. In calculating the contract sum, the Group is normally required to follow the pre-determined schedule of rates according to the specifications of types of works to be done, the necessary construction materials and labour to be used.

During the year ended 31 March 2021, the construction operation of the Group generated revenue of approximately HK$104.6 million (2020: HK$99.8 million).

PROSPECT

The uncertain economic and political environment of Hong Kong and around the world under the influence of COVID-19 during the year will undoubtedly continue to pose significant challenges to the construction industry. The foundation construction industry remained highly competition in the year due to the participation of a large number of active subcontractors in the market, resulting in pressure on the overall bid price and impact on our gross profit margin.

Although the timing of the full recovery of the construction market of Hong Kong is still uncertain, the Directors consider that with the Group's business presence and good market reputation, the Group is able to compete with its competitors and cope with the future challenges that are commonly faced by all industry players. The Group is looking for suitable investment opportunities to diversify business and bring better investment return to the shareholders of the Company.

The Company continues to evaluate areas suitable for the diversification of business with an aim to deliver sustainable returns to its shareholders. Looking forward, the Company, as a listed company, will use its resources to (I) adopt a more aggressive approach to deal with tender invitations; (II) expand the operation and revenue stream of business; and (III) explore the business opportunities of charging piles for new energy vehicles, power battery recycling and new energy vehicle logistics industry of China.

With its operational resources and experience in the construction industry, the Group believes that it has expanded into the construction of charging piles for electronic business and the new energy vehicle related industry chain, bringing better investment returns to the shareholders of the Company.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, customers, business partners and suppliers for their continuous support, and to our management and staff members for their commitment and contribution throughout the years.

Quantong Holdings Limited
Xing Yuan
Chairman and Executive Director

Hong Kong, 30 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in foundation works business as a subcontractor in Hong Kong. Its customers principally comprise main contractors and subcontractors. In calculating the contract sum, the Group is normally required to follow the pre-determined schedule of rates according to the specifications of types of works to be done, the necessary construction materials and labour to be used.

The outbreak of the COVID-19 has a drastic effect on the Hong Kong economy and imposed negative impacts on the construction industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages due to measures imposed by the Hong Kong Government. The Group's performance was adversely affected by the unexpected increase in cost of services and prolonged project period. During the year ended 31 March 2021, the Group recorded gross loss margin of approximately 15.1% as compared to gross loss margin of approximately 4.9% for the year ended 31 March 2020.

Despite the unfavorable market conditions such as keen competition due to the growing number of market players, continuously increasing construction costs due to labour shortage, increasingly stringent regulatory controls and rising construction material and operation costs, which adversely affected the Group's gross profit margin, the Directors are of the view that the market conditions of the construction industry will start to improve and consider that with the Group's business presence and good reputation in the market, the Group is well-positioned to compete with its competitors against such challenges that are commonly faced by all industry players. The Group will proactively explore new opportunities to create maximum returns to the shareholders of the Company.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the year ended 31 March 2021 was approximately HK$104.6 million, representing an increase of approximately HK$4.8 million or 4.8% as compared to the revenue for the year ended 31 March 2020. The increase in revenue was primarily due to the increase in number of sizable projects tendered by the Group during the year with substantial work progress and thereby contributed revenue to the Group during the year ended 31 March 2021.

COST OF SERVICES

The Group's cost of services increased from approximately HK$104.7 million for the year ended 31 March 2020 to approximately HK$120.4 million for the year ended 31 March 2021, representing an increase of approximately HK$15.7 million or 15.0%. Such increase was due to the late penalty compensation, additional direct cost for delayed project completion and unexpected costs of testing for certain projects caused by unpredictable matters.

GROSS LOSS AND GROSS LOSS MARGIN

For the year ended 31 March 2021, the Group recorded gross loss of approximately HK$15.8 million (2020: gross loss of approximately HK$4.9 million) and gross loss margin of approximately 15.1% (2020: gross loss margin of approximately 4.9%). The gross loss and gross loss margin of the Group for the year ended 31 March 2021 was due to the increase in cost of services as explained above.

ADMINISTRATIVE EXPENSES

The administrative expenses decreased by approximately HK$0.8 million or 4.0% from approximately HK$18.2 million for the year ended 31 March 2020 to approximately HK$17.4 million for the year ended 31 March 2021. The decrease was mainly due to the effect of provision for impairment loss on trade and other receivables by approximately HK$6,415,000 for the year ended 31 March 2020. Such effect was partially offset by the impairment loss of property, plant and equipment of approximately HK$3,665,000 and legal and professional fees incurred in relation to the one-off cash offer transaction in respect of shares of the Company during the year ended 31 March 2021.

FINANCE COSTS

Finance costs of the Group were approximately HK$1.7 million and HK$1.6 million for the year ended 31 March 2021 and 2020, respectively. Finance costs consist of interest on loans from other borrowings and interest on lease liabilities.

LOSS AND TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net loss and total comprehensive expense for the year ended 31 March 2021 was approximately HK$29.5 million (2020: approximately HK$7.2 million). Such increase in loss was mainly due to decrease in net gain on disposal of property, plant and equipment by approximately HK$12.7 million and increase in gross loss by approximately HK$10.9 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on 10 August 2015 (the "**Listing**"). There has been no change in the capital structure of the Group since the date of the Listing and up to the date of this annual report.

	2021 **HK$'000**	2020 HK$'000
Current assets	**18,714**	46,405
Current liabilities	**40,197**	37,144
Current ratio	**0.47**	1.25

The current ratio of the Group as at 31 March 2021 was approximately 0.47 times as compared to that of approximately 1.25 times as at 31 March 2020.

As at 31 March 2021, the Group had total cash and cash equivalents of approximately HK$1.2 million (2020: approximately HK$14.6 million).

As at 31 March 2021 and 31 March 2020, the Group had other borrowings, amount due to a shareholder/then directors, loan from a related party/then directors and lease liabilities in total of approximately HK$45.4 million and HK$41.2 million respectively. The scheduled repayment date of the Group were as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**17,602**	2,670
Between one and two years	**27,827**	15,555
Between two and five years	**–**	23,031
	45,429	41,256

GEARING RATIO

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debts are calculated as the total of lease liabilities, amount due to a shareholder, loan from a related party and other borrowings and less cash and cash equivalents. Capital represents the total of equity and net debts of the Group.

	2021 HK$'000	2020 HK$'000
Total debt	**45,429**	41,256
Less: Cash and cash equivalents	**(1,191)**	(14,561)
Net debt	**44,238**	26,695
Capital	**102**	12,009
Gearing ratio	**434**	2

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to contract assets, trade receivables and deposits with banks. The credit risk of the Group's contract assets and trade receivables is concentrated since approximately 98.7% of which was derived from five major customers as at 31 March 2021 (2020: approximately 96.7%). As the customers of the Group are reputable corporations, the credit risk is considered to be low. The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from non-performance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 10 August 2015. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 31 March 2021, the Company's issued share capital was HK$8 million, representing 800,000,000 issued ordinary shares of HK$0.01 each.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed in Note 6 to the consolidated financial statements.

DIVIDEND

The Board does not recommend any final dividend for the year ended 31 March 2021 (2020: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2021.

PLEDGE OF ASSETS

As at 31 March 2021, the Group had no assets pledged for bank borrowings or for other purpose.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group did not have other significant capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2021, the Group did not have any material acquisitions and disposal of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2021, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any concrete plan for material investments or capital assets as at 31 March 2021.

FOREIGN CURRENCY EXPOSURE

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, the Group's exposure to exchange rate risk is limited.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group employed a total of 50 staff (2020: 60 staff). The total employee remuneration, including remuneration of the Directors, for the year ended 31 March 2021 amounted to approximately HK$25,183,000 (2020: approximately HK$26,500,000).

The Group entered into separate labour contracts with each of the employees in accordance with the applicable labour laws in Hong Kong. The Group provides its staff with various benefits including discretionary bonus, contributory provident fund and medical insurance. The Group also provides and sponsors various types of training to employees and offer options that may be granted to employees under the share option scheme.

MANDATORY UNCONDITIONAL CASH OFFER

Upon completion of the acquisition of 600,000,000 shares of the Company by Quantong Group Holdings Limited (the "**Offeror**") on 17 December 2020, the Offeror and parties acting in concert with it were interested in 600,200,000 shares of the Company, representing approximately 75.03% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, the Offeror had made a mandatory unconditional cash offer (the "**Offer**") for all the issued shares of the Company other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (the "**Offer Share(s)**"). The offer price for each Offer Share was HK$0.075 in cash and the Offer was unconditional in all respects. During the offer period, there was 1 valid acceptance in respect of 40,000 Offer Shares under the Offer, representing approximately 0.005% of the entire issued share capital of the Company as at the closing date of the Offer (i.e. 10 February 2021).

For further details of the Offer, please refer to the joint announcements of the Company and the Offeror dated 22 December 2020, 12 January 2021, 20 January 2021 and 10 February 2021, as well as the composite document jointly issued by the Company and the Offeror dated 20 January 2021.

CHANGE OF COMPANY NAME

Subsequent to the passing of a special resolution by the shareholders of the Company at the extraordinary general meeting of the Company held on 22 January 2021 and upon the approval of the registration of the new name of the Company by the Registrar of Companies in the Cayman Islands and issuance of the Certificate of Incorporation on Change of Name of the Company on 26 January 2021, the English name of the Company has been changed from "Pak Wing Group (Holdings) Limited" to "Quantong Holdings Limited" and its Chinese name of "柏榮集團（控股）有限公司", which is for identification purpose only, has been replaced by "全通控股有限公司" as the dual foreign name in Chinese of the Company, with effect from 26 January 2021. For further details, please refer to the announcement of the Company dated 23 February 2021.

EVENTS AFTER THE REPORTING PERIOD

On 24 May 2021, Ms. Li On Lok resigned from her role as (i) the company secretary of the Company (the "**Company Secretary**"); (ii) an authorised representative (under Rule 5.24 of the GEM Listing Rules) and (iii) the authorized representative for accepting service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) (collectively, the "**Authorised Representatives**") of the Company.

Ms. Wong Ka Yan has been appointed as the Company Secretary and Authorised Representatives with effect from 24 May 2021. Details of the change of Company Secretary and Authorised Representatives are set out in the announcement of the Company dated 24 May 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group:

(i) The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin.

(ii) The Group determined the project price based on estimated time and costs involved in a project, which may deviate from actual time and cost incurred. Inaccurate estimation may adversely affect the Group's financial results.

(iii) The Group's business operations depend on the expertise and continuing performance of the key management personnel and there is no assurance that the Group can hire and retain them.

(iv) Failure to invest in suitable machinery may adversely affect the Group's market competitiveness.

(v) Acquiring machinery may result in an increase in depreciation expenses, machine operation costs, repair and maintenance costs and cash flow used in investing activities and may adversely affect the Group's operating results and financial position.

(vi) As the Group from time to time engages subcontractors, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the subcontractors.

(vii) The Group is exposed to possible environmental liability.

(viii) Adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots and other disasters which are beyond the Group's control may reduce the number of workdays and may incur additional operational costs.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, waste disposal and waste water disposal.

Area	Measures
Air pollution control	(i) Dust suppression by use of water (ii) Installation of dust screens as required (iii) Use of low-dust techniques and equipment as required
Noise control	(i) Installation of acoustic barriers as required (ii) Inspection and maintenance of all equipment before use for compliance of permitted noise level (iii) Works to be undertaken in accordance with the permitted work hours as specified by the Group's customers
Waste disposal	(i) Waste to be segregated into general wastes and construction wastes before transporting to landfills
Waste water disposal	(i) Use of sedimentation tanks to reduce the suspended solids in the waste water to be discharged (ii) After the sedimentation process to the waste water, pumping into the filtration plant before discharging into approved discharge points

The Directors consider that the measures and work procedures adopted are appropriate and adequate. During the year ended 31 March 2021, the Group was not in violation of applicable environmental laws and regulations which would have a material adverse impact on the business, financial condition or results of operations of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the year ended 31 March 2021.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers are principally main contractors and subcontractors of construction projects in the private and public sectors. During the year ended 31 March 2021, the Group's five largest customers accounted for approximately 99.9% (2020: 94.5%) of the total revenue for the year ended 31 March 2021, and the Group's largest customer accounted for approximately 82.1% (2020: 32.1%) of the total revenue for the year ended 31 March 2021. The Group has had good business relationship with most of the top customers which the Directors believe to imply that the Group is the one of the selected subcontractors on such customers' approved lists of subcontractors and the Group being invited to tender or quote from time to time.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in the Group's five largest customers.

Suppliers

The Group's suppliers primarily supply construction materials (such as cement, machinery spare parts and loose tools, diesel fuel and/or steel pile and casing) and/or services which primarily include machinery rental and machinery repair and maintenance. The Group generally orders relevant construction materials and services on a project-by-project basis, and does not enter into any long-term supply agreements with the Group's suppliers. The Group's largest and five largest suppliers accounted for not exceeding 30% of the total costs of services for the years ended 31 March 2021 and 2020.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in the Group's five largest suppliers.

Subcontractors

During the year ended 31 March 2021, the Group subcontracted a portion of the works which primarily consisted of drilling, grouting and geotechnical works to other parties with an aim to utilise the Group's own manpower and machinery in a more cost efficient manner. The Group's subcontracting fees represented approximately 32.4% and 22.3% of the total costs of services for the years ended 31 March 2021 and 2020 respectively. The Group's largest subcontractor accounted for approximately 6.0% of the total costs of services for the year ended 31 March 2021 (2020: 3.0%). The Group's five largest subcontractors accounted for approximately 21.2% of the total costs of services for the year ended 31 March 2021 (2020: 11.4%).

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in the Group's five largest subcontractors.

The Group selected subcontractors on a project-by-project basis, based on the Group's assessment of their (i) service quality; (ii) timeliness on delivery; (iii) price; and (iv) whether they have a quality assurance system that meets the Group's works requirements. The Group regularly reviews and updates the internal approved list of subcontractors according to the Group's evaluation.

Employees

The Group recognises employees as valuable assets of the Group and during the year ended 31 March 2021, the Group endeavored to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continual basis and will determine whether additional personnel are required to cope with the business development of the Group.

The Directors consider that the Group has maintained good relationship with its employees. The Group does not experience any labour disputes nor does the Group experience any difficulties in the recruitment and retaining of experienced or skilled staff members which would have hand a material impact on the Group business, financial condition or results of operations. The Group has not set up any trade union for its employees.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Mr. Xing Yuan (行遠), aged 46, was appointed as the chairman of the Board (the "**Chairman**"), an executive Director and the chairman of the nomination committee of the Board (the "**Nomination Committee**") on 10 February 2021. He is also a controlling shareholder of the Company.

Mr. Xing Yuan obtained a bachelor's degree in medicine (pharmacology) from Xi'an Jiaotong University Health Science Centre* (西安交通大學醫學部) (formerly known as Xi'an Medical University* (西安醫科大學)) in the PRC in July 1997. Mr. Xing Yuan has been serving as the chairman of the board of directors of Shaanxi Quantong Industrial Group Co., Ltd.* (陝西全通實業集團有限公司) ("**Shaanxi Quantong**") since December 2015, which is principally engaged in the construction of new energy automobile industry cluster development platform and the construction of new energy vehicle full life cycle industrial chain. Business of Shaanxi Quantong includes (i) sale of customised vehicles; (ii) design, research and development of vehicles and the related battery, motor and electric control systems; (iii) vehicle charging infrastructure construction; and (iv) vehicle buy backs and battery recycling services. Mr. Xing Yuan is mainly responsible for the overall development and strategic planning of the business operations of the company. As at the date of this annual report, (i) Shaanxi Quantong is held as to 98% by Mr. Xing Yuan and 2% by Guoyunquantong Holdings Group Co., Ltd.* (國運全通控股集團有限公司) ("**Guoyun Quantong**"), a company of which Mr. Xing Yuan serves as a manager and Mr. Ji Zhendong, an executive Director, serves as the chief executive officer and a company in which Mr. Xing Lei indirectly holds approximately 75% interest; (ii) Mr. Lai Yanjun, an executive Director, serves as an audit director and assistant to the chairman of Shaanxi Quantong; (iii) Guoyun Quantong is indirectly held as to approximately 75% by Mr. Xing Lei; and (iv) Ms. Xu Zhi, an executive Director, is a director of Jiama Wisdom IoT Co., Ltd.* (甲馬智慧物聯有限公司) ("**Jiama Wisdom**"), a subsidiary of Shaanxi Quantong and a company of which Mr. Xing Yuan serves as the executive director. Mr. Xing Yuan was also appointed as an executive council member of the Shaanxi Province Entrepreneurs Association* (陝西省企業家協會) in March 2019 and was accredited jointly by the Shaanxi Province Entrepreneurs Association*, Shaanxi Province Young Entrepreneurs Association* (陝西省青年企業家協會) and Shaanxi Province Female Entrepreneurs Association* (陝西省女企業家協會) as the Outstanding Entrepreneur in Shaanxi Province of the PRC (陝西省優秀企業家) in December 2019.

Mr. Xing Yuan is a cousin of Mr. Xing Lei, the non-executive Director.

Mr. Xing Yuan beneficially owns 100% of the issued share capital of QUANTONG GROUP HOLDINGS LIMITED, which is the beneficial owner of 600,000,000 shares of the Company. Mr. Xing Yuan is deemed to be interested in all the shares of the Company held by QUANTONG GROUP HOLDINGS LIMITED for the purpose of the SFO (as defined below).

Mr. Ji Zhendong (**冀振東**) ("**Mr. Ji**"), aged 43, was appointed as the chief executive officer and an executive Director on 20 January 2021.

Mr. Ji has around 10 years of experience in investment management. From August 2007 to May 2010, Mr. Ji served as a deputy general manager of Beijing Xinhaijunfeng Media Planning Co., Ltd.* (北京新海君風傳媒策劃有限公司), the business activities of which include corporate planning, management consulting and advertisement design and production. From June 2010 to August 2013, he served as a vice president of Beijing Pi-Yi Investment Management Co., Ltd.* (北京貔億投資管理有限公司), the business activities of which include investment management and consulting. From September 2013 to July 2016, Mr. Ji served as the secretary general of the International Creative Industry Alliance* (國際創意產業聯盟), an organisation which principally engages in cultural creativity and exchange, corporate planning, corporate training and management consulting activities, and he was mainly responsible for handling investment and financing activities. From August 2016 to April 2019, Mr. Ji served as the vice president of Zhongneng Dongdao (Beijing) Investment Management Co., Ltd.* (中能東道 (北京) 投資管理有限公司), the business activities of which include investment management and consulting, and he was mainly responsible for internal management of the company and corporate consulting. Since April 2019, Mr. Ji has been serving as the chief executive officer of Guoyun Quantong, the business activities of which include provision of delivery services and corporate management. He is responsible for the overall management of the company. As at the date of this annual report, Mr. Xing Yuan, being a controlling shareholder (has the meaning ascribed to it under the GEM Listing Rules) of the Company indirectly interested in 75.00% of the entire issued share capital of the Company as at the date of this annual report, is a manager of Guoyun Quantong.

Mr. Ji obtained a bachelor's degree in computer science and technology from Peking University Founder Technology College* (北京北大方正軟件技術學院) in the PRC in July 2017.

Mr. Lai Yanjun (**賴彥均**) ("**Mr. Lai**") (former name: Lai Yulong), aged 34, was appointed as an executive Director on 20 January 2021.

Mr. Lai has around 10 years of work experience in the internet, finance and automobile industries. From September 2010 to June 2013, he served as an audit supervisor (East China district) of China Pacific Insurance (Group) Co., Ltd.* (中國太平洋保險 (集團) 股份有限公司). He then worked as an assistant to the chairman of Hangzhou Xinyoucheng Internet Financial Services Co., Ltd.* (杭州信有誠互聯網金融服務有限公司) from June 2013 to December 2016, the business activities of which include the provision of internet financial services and investment management and consultancy services. From December 2016 to December 2018, Mr. Lai served as a general manager of Hangzhou Aipin Internet Technology Co., Ltd.* (杭州艾拼網絡科技有限公司), the business activities of which include technological development. Since 2018, Mr. Lai has been an audit director and assistant to the chairman of Shaanxi Quantong, which is principally engaged in the construction of new energy automobile industry cluster development platform and the construction of new energy vehicle full life cycle industrial chain. Business of Shaanxi Quantong includes (i) sale of customised vehicles; (ii) design, research and development of vehicles and the related battery, motor and electric control systems; (iii) vehicle charging infrastructure construction; and (iv) vehicle buy backs and battery recycling services. As at the date of this annual report, (i) Shaanxi Quantong is held as to 98% by Mr. Xing Yuan and 2% by Guoyun Quantong; and (ii) Mr. Xing Yuan serves as the chairman of the board of directors of Shaanxi Quantong. Mr. Lai has also been serving as a general manager of Shaanxi Xinyuanjian Automotive Technology Service Co., Ltd.* (陝西新遠艦汽車科技服務有限公司) since June 2020, the business activities of which include provision of car rental services, production of vehicles and accessories. He is responsible for the overall management of business and operation of the company.

Mr. Lai obtained a bachelor's degree in accounting from Zhejiang Gongshang University* (浙江工商大學) in the PRC in June 2010.

Ms. Xu Zhi (許志) ("**Ms. Xu**"), aged 49, was appointed as an executive Director on 20 January 2021.

Ms. Xu has over 20 years of experience in management, operation and risk control. From January 2001 to September 2013, Ms. Xu served as a manager of the bank insurance department at the Shaanxi branch of Ping An Insurance Company of China Ltd.* (中國平安保險 (集團) 股份有限公司陝西分公司). She then served as a general manager of the bank insurance department at the Shaanxi branch of PICC Health Insurance Co., Ltd.* (中國人民健康保險股份有限公司) from September 2013 to April 2018. She has been a director of Jiama Wisdom, a subsidiary of Shaanxi Quantong, since May 2018, which principally engages in the business of provision of logistics services using new energy vehicles. As at the date of this annual report, Mr. Xing Yuan is the executive director of Jiama Wisdom.

Ms. Xu obtained a diploma in national defense mobilisation and national defense education from Nanjing Army Command College of People's Liberation Army of China* (中國人民解放軍南京陸軍指揮學院) in the PRC in December 2013.

NON-EXECUTIVE DIRECTOR

Mr. Xing Lei (行磊), aged 34, was appointed as the non-executive Director on 10 February 2021.

Mr. Xing Lei has accumulated technical and management experience in construction and new energy industries. From July 2011 to May 2013, Mr. Xing Lei was a project supervisor of Xi'an Kexin Municipal Works Supervision Co., Ltd.* (西安科信市政工程監理有限公司), which principally engages in the business of construction supervision for municipal works and highway, water supply and drainage in the PRC. He then worked as a cost control officer at Xi'an Wanguo Real Estate Development Co., Ltd.* (西安萬國房地產開發有限責任公司) from May 2013 to July 2015, the business activities of which include real estate development and property management. From July 2015 to April 2018, he served as a deputy general manager of Shaanxi Yiwu Construction Engineering Co., Ltd.* (陝西逸悟建築工程有限公司), which principally engages in construction works in the PRC. Since May 2018, Mr. Xing Lei has been a general manager of Shaanxi Future Power Equipment Co., Ltd.* (陝西新未來動力設備有限公司), a subsidiary of Shaanxi Quantong, which principally engages in the sale, construction and operation of vehicle charging infrastructure for new energy vehicles. He is mainly in charge of the company's vehicle charging infrastructure business.

Mr. Xing Lei obtained a bachelor's degree in economics and administrative management from Nanjing College of Political Science of the People's Liberation Army of China* (中國人民解放軍南京政治學院) in the PRC in June 2011.

Mr. Xing Lei is a cousin of Mr. Xing Yuan, the Chairman and an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Hung (黃鎮雄) ("**Mr. Wong**"), aged 48, was appointed as an independent non-executive Director on 20 January 2021. He is also the chairman of the audit committee of the Board (the "**Audit Committee**") and a member of each of the remuneration committee of the Board (the "**Remuneration Committee**") and the Nomination Committee.

Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and has over 20 years of experience in accounting, auditing and consulting. Mr. Wong is a director of B&C Finance and Corporate Advisory Limited.

Mr. Wong was an executive director of China Environmental Energy Investment Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 986), from April 2018 to May 2018. Mr. Wong was an independent non-executive director of (i) Landing International Development Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 582), from September 2017 to June 2019; (ii) Asia Pacific Silk Road Investment Company Limited (former name adopted by the company since April 2010 being PACIFIC PLYWOOD HOLDINGS LIMITED), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 767) from April 2010 to August 2019; and (iii) Link-Asia International MedTech Group Limited (former names adopted by the company since November 2015 being TELEFIELD INTERNATIONAL (HOLDINGS) LIMITED, China Healthcare Enterprise Group Limited and Link-Asia International Co. Ltd.), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1143), from November 2015 to August 2019. Mr. Wong was an independent non-executive director of Fullsun International Holdings Group Co., Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 627), from December 2020 to April 2021.

Mr. Wong graduated from the Hong Kong Baptist University in Hong Kong with a bachelor of business administration degree in accounting in November 1995.

Mr. Kung Wai Chiu Marco (孔維釗) ("**Mr. Kung**"), aged 47, was appointed as an independent non-executive Director on 20 January 2021. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Mr. Kung has over 23 years of experience in the business advisory and auditing field in Hong Kong. Since March 2020, he has been a director and co-founder of WinPark CPA Company Limited (永栢和豐會計師事務所有限公司), Certified Public Accountants (Practising), in Hong Kong, where he is primarily responsible for the overall management of its business.

Mr. Kung also possesses experience in compliance, company secretary and financial management for listed companies. He worked at Sanai Health Industry Group Company Limited (former name adopted by the company since August 2006 being Wuyi International Pharmaceutical Company Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1889), from August 2006 to June 2016, in which he had been the financial controller and his last position was company secretary and authorised representative. He was the chief financial officer of Alpha Professional Holdings Limited (former name adopted by the company since April 2017 being Z-Obee Holdings Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 948), from April 2017 to January 2019. He was appointed as the company secretary and authorised representative of the same company from November 2017 to January 2020 and as an advisor from January 2020 to March 2020. He also served as the company secretary and authorized representative of Hailan Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2278) from September 2018 to March 2019. Mr. Kung has been an independent non-executive director of CTR Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1416), since November 2019.

Mr. Kung graduated from Lingnan College (currently known as the Lingnan University) in Hong Kong with a bachelor of business administration degree in November 1997. He also obtained a master's degree in business administration from The University of Wollongong in Australia in August 2005 and a master's degree in corporate governance from The Hong Kong Polytechnic University in Hong Kong in October 2008. Mr. Kung has been taking a doctor's degree programme in business administration from The Hong Kong Polytechnic University in Hong Kong since 2019. He was admitted as a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong in September 2005, February 2008 and July 2010, respectively. In addition, Mr. Kung was admitted as an associate of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries in February 2009. Mr. Kung was registered as a Certified Public Accountant (Practising) in January 2007 and was also registered as a Certified Tax Adviser (Non-Practising) in Hong Kong in July 2010. In September 2018, Mr. Kung became a Chartered Governance Professional of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Ms. Wong Chi Yan (黃志恩) ("**Ms. Wong**"), aged 39, was appointed as an independent non-executive Director on 20 January 2021. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Ms. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute. Ms. Wong has extensive experiences in auditing, accounting and financing as well as merger and acquisition.

Ms. Wong is currently an independent non-executive director of each of (i) Bay Area Gold Group Limited (former name adopted by the company since the appointment in March 2019 being Munsun Capital Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1194); (ii) Asia Television Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 707); and (iii) Success Dragon International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1182). Ms. Wong is also the company secretary and authorised representative of China Properties Investment Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 736).

Ms. Wong served as an executive director of Elegance Optical International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 907), from February 2017 to October 2018, the company secretary of the same company from March 2017 to September 2017 and an authorised representative of the same company from March 2017 to October 2018. She was an independent non-executive director of (i) Ding He Mining Holdings Limited (in liquidation) (stock code: 705, the shares of which were delisted from the Main Board of the Stock Exchange on 5 February 2020), from January 2018 to July 2018; (ii) Tech Pro Technology Development Limited (stock code 3823, the shares of which were delisted from the Main Board of the Stock Exchange on 2 March 2020), from March 2017 to February 2019; and (iii) Huiyin Holdings Group Limited (former name adopted by the company since October 2017 being Share Economy Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1178), from October 2017 to June 2020. Ms. Wong served as the company secretary of Goldway Education Group Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8160), from October 2018 to May 2019. She also served as the company secretary and authorised representative of Flyke International Holdings Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1998), from March 2017 to December 2020, which was delisted in January 2021.

Ms. Wong obtained a bachelor of business administration degree in accounting from Hong Kong Baptist University in Hong Kong in December 2003 and a master of laws degree in international corporate and financial law from The University of Wolverhampton in the United Kingdom in November 2016.

SENIOR MANAGEMENT

Mr. LAU Hon Ming, Hobby ("**Mr. Lau**"), aged 53, is the general manager of the Group. He joined the Group on 7 December 2016 and is primarily responsible for the overall management and supervision of the projects of the Group and overseeing the progress of various projects undertaken by the Group, making recommendations to the Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for our business.

Mr. Lau obtained a diploma in Occupational Health and Safety from The Open University of Hong Kong in 2004 and a higher diploma in Building Technology and Management from Hong Kong Polytechnic in 1990. He also obtained a Bachelor of Science with Honours (Construction Management) degree at the Birmingham City University of Hong Kong in 2018.

The following table sets forth the working experience of Mr. Lau:

Year	**Employer**	**Last Position**
10/2016–12/2016	Shun Shing Contractors Limited	Project manager
1994–10/2016	Paul Y. Management Limited	Project manager
1990–1994	Paul Y. — ITC Construction Limited	Project coordinator

COMPANY SECRETARY

Ms. Wong Ka Yan (黃嘉茵) ("**Ms. Wong K Y**"), aged 35, has been appointed as the company secretary of the Company since 24 May 2021. Ms. Wong K Y has over 11 years of experience in auditing, accounting and financial reporting. She is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services. Ms. Wong K Y obtained a degree of Bachelor of Business Administration (Honours) in Accountancy from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants.

* *For identification purposes only*

INTRODUCTION

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. During the year ended 31 March 2021, to the best knowledge of the Board, the Company has complied with the applicable code provisions of the CG Code except for the deviation from code provision A.2.7 of the CG Code as explained below and code provision C.2.5 of the CG Code as set out in "Risk Management and Internal Control" below in this corporate governance report.

Pursuant to code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. For the year ended 31 March 2021, the Chairman did not hold meetings with the independent non-executive Directors without the presence of the executive Directors and the non-executive Director, which deviates from code provision A.2.7, due to the tight schedule of the Chairman and the independent non-executive Directors to arrange for additional meetings. As the independent non-executive Directors may discuss with the Chairman directly at any time to share their view on the Company's affairs, the Company considers that there are sufficient channels of communication for discussion of the Company's affair between the Chairman and independent non-executive Directors in the absence of other Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.68 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company had also made specific enquiry to all the Directors and each of them was in compliance with the Required Standard of Dealings throughout the year under review. Further, the Company was not aware of any non-compliance with the Required Standard of Dealings by the Directors throughout the year under review.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised eight Directors, including four executive Directors, namely Mr. Xing Yuan, Mr. Ji, Mr. Lai and Ms. Xu, one non-executive Director, namely Mr. Xing Lei, and three independent non-executive Directors, namely Mr. Wong, Mr. Kung and Ms. Wong.

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

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

The biographical details of the Directors and other senior management are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 14–20 of this annual report. Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in paragraph D.3.1 of the CG Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

Composition

The composition of the Board as at the date of this annual report is set out as follows:

Executive Directors

Mr. Xing Yuan *(Chairman)*
Mr. Ji Zhendong *(Chief Executive Officer)*
Mr. Lai Yanjun
Ms. Xu Zhi

Non-executive Director

Mr. Xing Lei

Independent non-executive Directors

Mr. Wong Chun Hung
Mr. Kung Wai Chiu Marco
Ms. Wong Chi Yan

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 14–20 of this annual report.

The three independent non-executive Directors represent more than one-third of the Board (the proportion of which is higher than what is required by Rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules) and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of the executive Directors, the non-executive Director and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

Reference is made to the announcement of the Company dated 31 January 2020 in relation to the non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Following the resignation of Ms. Li Huanli as an independent non-executive Director on 31 January 2020, the Board had only two independent non-executive Directors, the number of which fell below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. As a result of insufficient number of independent non-executive Directors, the Company had also failed to comply with the minimum number of members for the Audit Committee under Rules 5.28 of the GEM Listing Rules. Following the appointment of Mr. Lee Yan Sang as an independent non-executive Director and a member of the Audit Committee and Mr. Sai Chun Yu as an independent non-executive Director and the chairman of the Audit Committee on 29 April 2020, the Company has three independent non-executive Directors and three members for the Audit Committee and thus is in compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 5.09 of the GEM Listing Rules.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years which may be terminated by not less than one month's notice in writing served by either party on the other and is subject to retirement by rotation and re-election in accordance with the memorandum and articles of association of the Company (the "**Articles**").

Pursuant to the letter of appointment between the Company and each of the non-executive Director and the independent non-executive Directors, the non-executive Director and independent non-executive Directors have been appointed for an initial term of three years which may be terminated by either party by giving no less than one month's written notice (for non-executive Director) or no less than two months' written notice (for independent non-executive Directors).

According to the Articles, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

All Directors will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on Monday, 30 August 2021 pursuant to articles 108(a) and 112 of the Articles. All Directors, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of all Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Xing Yuan is the Chairman and Mr. Ji is the chief executive officer of the Company.

TRAINING FOR DIRECTORS AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the GEM Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company Secretary reports from time to time the latest changes and development of the GEM Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities. Up to the date of this annual report, all Directors have participated in continuous professional development by reading in-house training handbook, relevant materials or attending training seminar on the topics related to corporate governance.

All Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

COMPANY SECRETARY

The Company Secretary assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

On 24 May 2021, Ms. Li On Lok ("**Ms. Li**") resigned from her role as the Company Secretary. The Company engages an external service provider, Ms. Wong K Y as its Company Secretary and in replacement of Ms. Li. Ms. Wong K Y possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Xing Yuan, executive Director is the primary contact person who Ms. Wong K Y contacts.

For the year ended 31 March 2021, Ms. Li and Ms. Wong K Y undertook no less than 15 hours of relevant professional training to update her skill and knowledge in accordance with Rule 5.15 of the GEM Listing Rules. The biographies of Ms. Wong K Y is set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website "www.hkexnews.hk" and the Company's website at "www.quantongholdings.com". All the Board Committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board Committees follow in line with, so far as practicable, those of the Board meetings set out below.

All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which includes, amongst others, developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in this report.

Audit Committee

The Audit Committee was established on 6 July 2015. The chairman of the Audit Committee is Mr. Wong, an independent non-executive Director, and other members included Ms. Wong and Mr. Kung, independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules with three members comprising independent non-executive Directors only and at least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

During the year ended 31 March 2021, the Audit Committee has held five meetings, including to review and comment on the Company's 2020 annual results, interim results and quarterly results as well as the Company's material control procedures and risk management system. The attendance of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Yang Zida *(Chairman)* (resigned on 29 April 2020)	N/A
Mr. Sai Chun Yu *(Chairman)* (appointed on 29 April 2020 and resigned on 10 February 2021)	4/4
Mr. Lee Man Yeung (resigned on 10 February 2021)	5/5
Mr. Lee Yan Sang (appointed on 29 April 2020 and resigned on 10 February 2021)	4/4
Mr. Wong Chun Hung *(Chairman)* (appointed on 20 January 2021) *(Note)*	N/A
Ms. Wong Chi Yan (appointed on 20 January 2021) *(Note)*	N/A
Mr. Kung Wai Chiu Marco (appointed on 20 January 2021) *(Note)*	N/A

N/A represents not applicable

Note: Appointed as Director on 20 January 2021

The Group's consolidated financial statements for the year ended 31 March 2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2021 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee was established on 6 July 2015. The chairman of the Remuneration Committee is Mr. Kung, an independent non-executive Director, and other members include Ms. Wong and Mr. Wong, independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the website of the Stock Exchange and on the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors/senior management, employment conditions in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2021.

Three meetings of the Remuneration Committee had been held during the year ended 31 March 2021, and the attendance of the members of the Remuneration Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Yang Zida (resigned on 29 April 2020)	0/1
Mr. Lee Man Yeung *(Chairman)* (resigned on 10 February 2021)	3/3
Mr. Lee Yan Sang (appointed on 29 April 2020 and resigned on 10 February 2021)	2/2
Mr. Sai Chun Yu (appointed on 29 April 2020 and resigned on 10 February 2021)	2/2
Mr. Kung Wai Chiu Marco *(Chairman)* (appointed on 20 January 2021) *(Note)*	N/A
Ms. Wong Chi Yan (appointed on 20 January 2021) *(Note)*	N/A
Mr. Wong Chun Hung (appointed on 20 January 2021) *(Note)*	N/A

N/A represents not applicable

Note: Appointed as Director on 20 January 2021

Nomination Committee

The Nomination Committee was established on 6 July 2015. The chairman of the Nomination Committee is Mr. Xing Yuan, an executive Director, and other members include Ms. Wong, Mr. Wong and Mr. Kung, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on appointment of new directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this annual report, the Board comprised eight Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, industry experience, cultural and educational background, professional skills and/or qualifications and knowledge.

Three meetings of the Nomination Committee had been held during the year ended 31 March 2021, and the attendance of the members of the Nomination Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Yang Zida (resigned on 29 April 2020)	0/1
Mr. Lee Man Yeung *(Chairman)* (resigned on 10 February 2021)	3/3
Mr. Wong Chin To (resigned on 10 February 2021)	3/3
Mr. Lee Yan Sang (appointed on 29 April 2020 and resigned on 10 February 2021)	2/2
Mr. Sai Chun Yu (appointed on 29 April 2020 and resigned on 10 February 2021)	2/2
Mr. Xing Yuan *(Chairman)* (appointed on 10 February 2021) *(Note 1)*	N/A
Ms. Wong Chi Yan (appointed on 20 January 2021) *(Note 2)*	N/A
Mr. Wong Chun Hung (appointed on 20 January 2021) *(Note 2)*	N/A
Mr. Kung Wai Chiu Marco (appointed on 20 January 2021) *(Note 2)*	N/A

N/A represents not applicable

Notes:

1. Appointed as Director on 10 February 2021

2. Appointed as Director on 20 January 2021

ATTENDANCE RECORDS OF BOARD MEETING AND GENERAL MEETING

During the year ended 31 March 2021, eight Board meetings and two general meetings were held. Details of the attendance of each Director at the Board meetings and general meetings of the Company are set out below:

Name of Directors	Number of attendance/ Number of Board Meetings	Number of General Meetings
Executive Directors		
Mr. Zhang Weijie (retired on 21 August 2020)	1/3	0/1
Mr. Wong Chin To (resigned on 10 February 2021)	7/8	1/2
Mr. Duan Ximing (retired on 21 August 2020)	2/3	0/1
Mr. Lau Yik Lok (appointed on 16 September 2020 and resigned on 10 February 2021)	3/3	1/1
Mr. Xing Yuan (appointed on 10 February 2021)	N/A	N/A
Mr. Ji Zhendong (appointed on 20 January 2021)	1/1	N/A
Mr. Lai Yanjun (appointed on 20 January 2021)	1/1	N/A
Ms. Xu Zhi (appointed on 20 January 2021)	1/1	N/A
Non-executive Director		
Mr. Xing Lei (appointed on 10 February 2021)	N/A	N/A
Independent non-executive Directors		
Mr. Yang Zida (resigned on 29 April 2020)	N/A	N/A
Mr. Lee Man Yeung (resigned on 10 February 2021)	8/8	1/2
Mr. Lee Yan Sang (appointed on 29 April 2020 and resigned on 10 February 2021)	7/7	1/2
Mr. Sai Chun Yu (appointed on 29 April 2020 and resigned on 10 February 2021)	7/7	2/2
Mr. Wong Chun Hung (appointed on 20 January 2021)	0/1	N/A
Mr. Kung Wai Chiu Marco (appointed on 20 January 2021)	1/1	N/A
Ms. Wong Chi Yan (appointed on 20 January 2021)	1/1	N/A

N/A represents not applicable

Code provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and Board Committees' meetings, reasonable notices should be given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are provided with details of agenda items for decision making with reasonable notice and are welcomed to include matters in the agenda of each Board meeting. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the procedures are complied with and advising the Board on compliance matters.

Minutes of Board meetings and meetings of Board Committees are kept by the Company Secretary and are opened for inspection as requested by Directors. During the year ended 31 March 2021, the Board was given sufficient time to review and approve the minutes of Board meetings and meetings of Board Committees. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. If potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting. The Directors attended meetings in persons or through other means of electronic communication in accordance with the Articles. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Directors and senior management. All Directors assume the responsibilities owed to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company. The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

With a view to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In determining the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, experience, cultural, educational background, expertise, skills and know how. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

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

Monitoring and reporting

The Nomination Committee will report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation of this Board Diversity Policy including but is not limited to the progress towards meeting the measurable objectives of this policy.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Registrar of Companies in Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of this Nomination Policy as appropriate.

REVIEW OF NOMINATION POLICY

The Nomination Committee will launch a formal process to review this Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

DISCLOSURE OF NOMINATION POLICY

A summary of Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year ended 31 March 2021 will be disclosed in the annual corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:

- the Group's actual and expected financial performance;
- shareholders' interests;

- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Such declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Articles. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the financial conditions and the profits of the Company available for distribution.

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

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed. For the year ended 31 March 2021, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fees paid/ payable for the services rendered HK$'000
Statutory audit services	610
Non-audit services	–

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems (the "**Systems**") and reviews their effectiveness annually. Such Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective Systems.

The Company has been developing and adopting various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources etc. The main features are as follows:

Control structure

A. The Board

(I) ensure the maintenance of appropriate and effective Systems in order to safeguard the shareholders' investment and assets of the Company;

(II) define management structure with clear lines of responsibility and limit of authority; and

(III) determine the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulate the Company's risk management strategies.

B. Audit Committee

(I) assist the Board in leading the management of the Company (the "**Management**") and overseeing their design, implementation and monitoring of the Systems of the Company;

(II) review and discuss with the Management annually to ensure that the Management has performed its duty to have effective Systems; and

(III) consider major findings on internal control matters and make recommendations to the Board.

C. The Management

(I) design, implement and monitor the Systems properly and ensure the Systems are executed effectively;

(II) monitor risks and take measures to mitigate risks in day-to-day operations;

(III) give prompt responses to, and follow up the findings on internal control matters; and

(IV) provide confirmation to the Board on the effectiveness of the Systems.

D. Internal Audit Function

(I) carry out the analysis and independent appraisal of the adequacy and effectiveness of the Systems.

Control approach

The risk management process includes risk identification, risk evaluation and risk management measures and also reviewing the effectiveness of the Systems and resolving material internal control defects.

The Management conducted interviews with relevant staff members, reviewing relevant documentation of the internal control system, identifying and evaluating findings of any deficiencies in the design of the Company's internal control system, providing recommendations for improvement and following up on the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the risk management and internal control are reported to and reviewed by the Audit Committee during the year ended 31 March 2021.

Procedure manuals and operational guidelines are in place to safeguard the assets against unauthorised use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.

During the year ended 31 March 2021 under review, the Group appointed Roma Risk Advisory Limited ("**Roma**") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

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

The Group has yet to establish its internal audit function during the year ended 31 March 2021 as required under code provision C.2.5 of the CG Code. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. The Audit Committee and Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

Inside Information

To ensure timely, fair, accurate and complete disclosure of inside information and for compliance with the applicable laws and regulations, the Group has in place, as an internal control element, procedures for handling and dissemination of inside information. Under the procedures, heads of business units shall report to the Directors any potential inside information event as soon as practicable when it materialises for determining the nature of developments, and if required, making disclosure.

Annual Review

During the year ended 31 March 2021, the Audit Committee has conducted an annual review of the risk management and internal control systems. The results of the review were reported by the Audit Committee to the Board, based on which the Directors concluded that, for the year ended 31 March 2021, the risk management and internal control systems were effective and adequate and the Group has complied with the provisions in the CG Code regarding risk management and internal control.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

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

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

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

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

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

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

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year ended 31 March 2021, there is no significant change in the Articles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

The Company will issue a separate ESG Report no later than three months after the date of this annual report in compliance with Appendix 20 to the GEM Listing Rules, which will be available on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at "www.quantongholdings.com";.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2021, there was no change in the constitutional documents.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the Articles. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

DIRECTORS' ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors ensure the consolidated financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the publication of the consolidated financial statements of the Group is made in a timely manner. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

AUDITOR'S STATEMENT

The statement of the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the year ended 31 March 2021 is set out in the Auditor's Report on pages 49–53.

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in Note 29 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2021.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Company Ordinance**"), including a discussion of the principal risks and uncertainties facing the Group, environment policies of the Group, compliance with laws and regulations by the Group, its relationships with customers, suppliers, subcontractors and employees, an indication of likely future developments in the Group's business and events after the reporting period, can be found in the Management Discussion and Analysis set out on pages 6–13 of this annual report. This discussion forms part of this directors' report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2021 is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2021 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 54–119.

The Board does not recommend any final dividend for the year ended 31 March 2021.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 120 in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2021 are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company are set out in Note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTION

The related party transaction disclosed in Note 30 to the consolidated financial statements constitute de minimis connected transactions as defined in Chapter 20 of the GEM Listing Rules, which were fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise share premium, capital reserves and accumulated losses. No reserve of the Company is available for distribution to shareholders as at 31 March 2021 (2020: nil).

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 6 July 2015 (the "**Scheme**") pursuant to the written resolution of the shareholders of the Company on 6 July 2015 for the purpose of providing additional incentives to eligible participants for their contribution to the Group and/or enabling the Group to attract and retain best available personnel that are valuable to the Group.

Details of the Scheme are as follows:

1.	Purpose of the Scheme	As incentive to eligible participants for their contribution to the Group and/or to enable the Group to attract and retain best available personnel that are valuable to the Group.
2.	Eligible participants to the Scheme	Any eligible employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.
3.	Total number of shares available for issue under the Scheme and percentage to the issued share capital as at the date of this report	80,000,000 shares (equivalent to 10% of total issued share capital as at the date of this annual report).
4.	Maximum entitlement of each participant under the Scheme	Not exceeding 1% of the issued share capital of the Company for the time being in any 12 month period. Any further grant of share option in excess of such limit must be separately approved by Company's shareholders in general meeting.

5.	The period within which the shares must be taken up under an option	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by Directors to the grantee thereof.
6.	The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.
7.	The amount payable on application or acceptance of the option and the period within which payments or calls must be made	The remittance of HK$1.00 on or before the date of acceptance (which may not be later then seven days from the date of offer).
8.	The basis of determining the exercise price	Being determined by the Directors and being not less than the price highest of: a. the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; b. the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately proceeding the offer date; and c. the nominal value of the share on the offer date.
9.	The remaining life of the Scheme	The Scheme is valid and effective for a period of 10 years commencing on 6 July 2015 (being the date of adoption of the Scheme).

No share option has been granted, exercised, cancelled, lapsed or forfeited under the Scheme since its adoption and up to the date of this annual report. As at 1 April 2020 and 31 March 2021, there was no outstanding share option.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year ended 31 March 2021, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 82.1%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 99.9%.

During the year ended 31 March 2021, the percentage of the Group's largest supplier was approximately 12.9% of the total cost of services for the period, while the percentage of the Group's five largest suppliers accounted for approximately 17.4% of the total cost of services.

During the year ended 31 March 2021, the percentage of the Group's largest subcontractor was approximately 6.0% of the total cost of services for the period, while the percentage of the Group's five largest subcontractors accounted for approximately 21.2% of the total cost of services.

None of the Directors, or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers, suppliers or subcontractors.

DIRECTORS

The composition of the Board as at the date of this annual report were as follows:

Executive Directors
Mr. Xing Yuan *(Chairman)*
Mr. Ji Zhendong *(Chief Executive Officer)*
Mr. Lai Yanjun
Ms. Xu Zhi

Non-executive Director
Mr. Xing Lei

Independent non-executive Directors
Mr. Wong Chun Hung
Mr. Kung Wai Chiu Marco
Ms. Wong Chi Yan

In accordance with the Articles, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Accordingly, all Directors will retire from office as Directors at the forthcoming annual general meeting of the Company. All Directors, being eligible, will offer themselves for re-election.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses and liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years which may be terminated by not less than one month's notice in writing served by either party on the other and is subject to retirement by rotation and re-election in accordance with the Articles.

Pursuant to the letter of appointment between the Company and each of the non-executive Director and the independent non-executive Directors, the non-executive Director and independent non-executive Directors have been appointed for an initial term of three years which may be terminated by either party by giving no less than one month's written notice (for non-executive Director) or no less than two months' written notice (for independent non-executive Directors).

None of the Directors has any unexpired service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 14–20 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 12 to the consolidated financial statements.

EMOLUMENT POLICY

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Remuneration Committee will meet at least once each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in Note 30 to the consolidated financial statements, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party that was subsisting during or at the end the year ended 31 March 2021.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Directors' Report — Related Party Transaction" above, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (as defined in the GEM Listing Rules) or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders (as defined in the GEM Listing Rules) or their subsidiaries during the year ended 31 March 2021.

MANAGEMENT CONTRACTS

As at 31 March 2021, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

PENSION SCHEME ARRANGEMENTS

A Mandatory Provident Fund Scheme (the "**MPF Scheme**") has been set up for employees of the Group in Hong Kong, in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All employees in Hong Kong are required to join the MPF Scheme and the employees and their employer are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make required contribution under the scheme. No forfeited contribution is available to reduce the contribution payable in the future. The contribution charged to the consolidated statement of comprehensive income represents the contribution payable to the funds by the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Disclosure of Interests" below and the share option scheme disclosures in Note 36 to the consolidated financial statements, at no time during the year ended 31 March 2021 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS

Directors' and chief executives' interest and short positions in shares, underlying shares and debentures

As at 31 March 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "**SFO**")) which are 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), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

Long positions in the shares of the Company

Name	Capacity/Nature of interest	Number of shares held/ interested	Percentage of shareholding
Mr. Xing Yuan *(Note)*	Interest in a controlled corporation	600,000,000	75%

Note:

Mr. Xing Yuan, an executive Director, beneficially owns the entire issued share capital of QUANTONG GROUP HOLDINGS LIMITED ("**Quantong**"). Mr. Xing is deemed, or taken to be interested in all the shares of the Company held by Quantong for the purpose of the SFO. Mr. Xing is the sole director of Quantong.

Long positions in the shares of the associated corporation

Name	Name of associated corporation	Capacity/Nature of Interest	Number of shares held/ interested	Percentage of shareholding
Mr. Xing Yuan	Quantong	Beneficial owner	100	100%

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

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 March 2021, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Quantong	Beneficial owner	600,000,000	75%
Mr. Fu Yik Lung *(Note)*	Person having a security interest in shares	600,000,000	75%
	Beneficial owner	200,000	0.025%

Note:

Pursuant to a share charge dated 11 December 2020 executed by Quantong in favour of Mr. Fu Yik Lung, 600,000,000 shares of the Company were pledged by Quantong in favour of Mr. Fu Yik Lung.

Save as disclosed above, as at 31 March 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' Report — Disclosure of Interests — Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

COMPETING INTERESTS

The Directors, the controlling shareholders of the Company and their respective close associates do not have any interest in a business apart from the business of the Group which competes or may compete, directly or indirectly, with the business of the Group or any other conflicts of interests which any such person has or may have with the Group.

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

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

NON-COMPETITION UNDERTAKINGS IN DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has undertaken, among other things, not to accept any positions/job titles or conduct any business transactions with any individual or company that in any way competes with the Group or its associated companies, whether directly or indirectly. The executive Directors have also undertaken that they would not hold more than 5% of the economic interests and/or participate in any business activities of the aforesaid companies. Each of the executive Directors confirms that he had complied with the non-competition undertakings as set out in their respective service contracts from the date of the service contract up to the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Wednesday, 25 August 2021 to Monday, 30 August 2021, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates 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 not later than 4:30 p.m. on Tuesday, 24 August 2021.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2021.

DONATIONS

No donations had been made by the Group during the year ended 31 March 2021 (2020: nil).

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 21–38 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

The Company was not able to satisfy the minimum public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules immediately after the close of the Offer on 10 February 2021 following 1 valid acceptance of the Offer in respect of 40,000 Offer Shares. The Offeror and parties acting in concert with it held an aggregate of 600,240,000 shares of the Company, representing approximately 75.03% of the entire issued share capital of the Company immediately after the close of the Offer. As disclosed in the Company's announcement dated 16 February 2021, upon completion of disposal of 40,000 shares of the Company on the open market by the Offeror on 16 February 2021, the minimum public float as required has been restored. Waiver was granted by the Stock Exchange on 18 February 2021 in this regard. For further details, please refer to the announcements of the Company dated 10 February 2021, 16 February 2021 and 19 February 2021.

Save as disclosed above, as at the date of this annual report and throughout the year ended 31 March 2021, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2021 has been audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company. The Company has not changed its external auditors in any of the preceding three years.

ON BEHALF OF THE BOARD

Mr. Xing Yuan
Chairman and Executive Director

Hong Kong, 30 June 2021

TO THE SHAREHOLDERS OF QUANTONG HOLDINGS LIMITED
(FORMERLY KNOWN AS PAK WING (GROUP) HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Quantong Holdings Limited (formerly known as Pak Wing Group (Holdings) Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 54 to 119, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b) to in the consolidated financial statements, which indicates that the Group continued to sustain a gross loss and a net loss for the year ended 31 March 2021, which amounted to approximately HK$15,813,000 and HK$29,450,000 respectively. In addition, the Group had net current liabilities and net liabilities of approximately HK$21,483,000 and HK$44,136,000, respectively, as at 31 March 2021. As stated in Note 3(b), these conditions; indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

REVENUE RECOGNITION FOR CONSTRUCTION CONTRACTS

The Group's revenue from construction contracts amounted to approximately HK$104,601,000 for the year ended 31 March 2021. As described in Note 4(i) to the consolidated financial statements, the Group recognises revenue in overtime, which is by reference to the progress towards complete satisfaction of performance obligation at the end of the reporting period, measured using the output method in accordance with HKFRS 15 "Revenue from contracts with customers". For those contracts that contain variable consideration, the Group estimates the amount of variable consideration to which it will be entitled and includes it in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

We identified the revenue recognition of construction contracts as a key audit matter as the revenue recognition of construction contract involved significant management judgement and estimate. Further the uncertainty and subjectivity involved in determining the foreseeable losses may have a significant impact on the results of the Group.

Our response:

— Obtaining an understanding of and evaluating the key controls related to revenue recognition of construction contracts;

— Discussing with management of the Group about the bases of estimation of the budget revenue and costs as well as the progress towards completion of the contracts and evaluating reasonableness thereof;

— Assessing the Group's revenue recognition practice to determine that they are in compliance with HKFRS 15 "Revenue from contracts with customers", including the determination of performance obligations and the assessment of the Group's efforts or inputs to the construction contracts (i.e. contract costs incurred for work performed) relative to the total expected inputs to the construction contracts;

— Assessing reasonableness of revenue recognised and the progress towards completion of the contracts by reference to the relevant payment certificates issued by customers;

— Checking on sample basis, the basis used for evaluating reasonableness of budgeted costs against our understanding on the construction services;

— Reviewing contract budget prepared by management of the Group for each on-going construction contract to assess whether foreseeable losses on contracts has been properly recognised; and

— Re-performing managements is calculations of revenue of each performance obligation and investigating if there is any discrepancy or cut-off variance.

IMPAIRMENT OF TRADE RECEIVABLES AND CONTRACT ASSETS IN RESPECT OF EXPECTED CREDIT LOSSES ("ECLs")

As set out in Notes 19 and 17 to the consolidated financial statements as at 31 March 2021, the carrying amounts of the Group's trade receivables and contract assets amounted to approximately HK$8,235,000 (after the provision of HK$279,000) and HK$7,014,000 (after the provision of HK$47,000), respectively, which represent approximately 34% and 29% respectively of the Group's total assets.

In general, the credit terms granted 30 days by the Group to the customers. Management performed periodic assessment on the recoverability of the trade receivables and contract assets and the sufficiency of provision for impairment based on historical default rates, past due status and financial capability of individual debtors and forward-looking macroeconomic factors.

We identified the impairment of trade receivables and contract assets as a key audit matter due to the significance of the carrying amounts of trade receivables and contract assets to the consolidated financial statements, as well as the significant judgement involved in developing and implementing the ECLs model and high level of estimation uncertainty.

Our response:

— Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;

— Understanding management's process of assessing recoverability of trade receivables and contract assets;

— Assessing the appropriateness of management's ECL model, challenging assumptions and data used in estimating ECLs, including testing the accuracy of historical data, evaluating whether historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising loss allowances;

— Engaging our internal valuation specialist to assess the reasonableness of the forward-looking information and credit rating used by the management's expert; and

— Discussing with management about its evaluation of impact of disputes with customers and unforeseen delay of construction contracts, if any, on the recoverability of trade receivables and contract assets and checking to those relevant correspondences and documents to assess reasonableness of the evaluation.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by 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.

The directors are also responsible for overseeing the Group’s financial reporting process. The audit committee of the Company (the “Audit Committee”) assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

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

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
LEE Alfred
Practising Certificate Number P04960

Hong Kong, 30 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	7	**104,601**	99,833
Cost of services		**(120,414)**	(104,693)
Gross loss		**(15,813)**	(4,860)
Other income	8	**5,553**	16,932
Administrative expenses		**(17,423)**	(18,152)
Finance costs	11	**(1,678)**	(1,633)
Loss before income tax	9	**(29,361)**	(7,713)
Income tax (expense)/credit	13	**(89)**	506
Loss and total comprehensive expense for the year attributable to the owners of the Company		**(29,450)**	(7,207)
		HK cents	HK cents
Losses per share			
— Basic and diluted	15	**(3.68)**	(0.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**5,398**	14,774
Current assets			
Contract assets	17	**7,014**	6,258
Inventories	18	**–**	4,907
Trade and other receivables	19	**10,509**	20,679
Cash and cash equivalents	20	**1,191**	14,561
		18,714	46,405
Total assets		**24,112**	61,179
Current liabilities			
Trade and other payables	21	**22,493**	34,372
Other borrowings	22	**14,783**	–
Lease liabilities	24	**2,819**	2,670
Provision for taxation		**102**	102
		40,197	37,144
Net current (liabilities)/assets		**(21,483)**	9,261
Total assets less current liabilities		**(16,085)**	24,035
Non-current liabilities			
Other borrowings	22	**4,497**	9,667
Amount due to a shareholder	23	**7,655**	–
Loan from a related party	23	**15,050**	–
Amounts due to then directors	23	**–**	2,774
Loan from then directors	23	**–**	24,220
Lease liabilities	24	**625**	1,925
Deferred tax liabilities	25	**224**	135
		28,051	38,721
NET LIABILITIES		**(44,136)**	(14,686)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
DEFICITS			
Equity attributable to owners of the Company			
Share capital	26	**8,000**	8,000
Reserves		**(52,136)**	(22,686)
TOTAL DEFICITS		**(44,136)**	(14,686)

On behalf of the Board of Directors

Xing Yuan
Director

Ji Zhendong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

		Reserves				
	Share capital	**Share premium***	**Merger reserve***	**Capital reserve***	**Accumulated losses***	**Total**
		(Note 28(a))	(Note 28(b))	(Note 28(c))	(Note 28(d))	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2019	8,000	82,525	(51,705)	3,118	(49,417)	(7,479)
Loss and total comprehensive income for the year	–	–	–	–	(7,207)	(7,207)
As at 31 March 2020 and 1 April 2020	8,000	82,525	(51,705)	3,118	(56,624)	(14,686)
Loss and total comprehensive income for the year	–	–	–	–	(29,450)	(29,450)
As at 31 March 2021	**8,000**	**82,525**	**(51,705)**	**3,118**	**(86,074)**	**(44,136)**

* These reserve accounts comprise the consolidated reserves of approximately HK$52,136,000 in the consolidated statement of financial position as at 31 March 2021 (2020: HK$22,686,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Loss before income tax		**(29,361)**	(7,713)
Adjustments for:			
Depreciation of property, plant and equipment	9,16	**5,025**	4,619
Finance costs	11	**1,678**	1,633
Impairment of property, plant and equipment	9	**3,665**	–
Loss on written off of property, plant and equipment	9	**1,488**	–
Net gain on disposal of property, plant and equipment	8	**(2,509)**	(15,173)
Covid-19 related rent concessions	8	**(60)**	–
(Reversal of)/provision of impairment loss on trade receivables	9	**(1,178)**	1,192
(Reversal of)/provision of impairment loss on other receivables	9	**(807)**	5,223
(Reversal of)/provision of impairment loss on contract assets	9	**(312)**	187
Operating loss before working capital changes		**(22,371)**	(10,032)
Increase in contract assets		**(444)**	(518)
Decrease/(increase) in inventories		**4,907**	(4,907)
Decrease/(increase) in trade and other receivables		**12,155**	(5,018)
(Decrease)/increase in trade and other payables		**(10,479)**	17,097
Net cash used in operating activities		**(16,232)**	(3,378)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(18)**	(7,476)
Proceeds from disposal of property, plant and equipment		**2,537**	17,834
Net cash generated from investing activities		**2,519**	10,358
Cash flows from financing activities			
Decrease in other payables		**–**	(4,087)
Increase in amount due to then directors		**–**	1,848
Increase in amount due to a shareholder		**7,655**	–
Increase in loan from a related party		**15,050**	–
Repayment in other borrowings		**(18,790)**	–
Increase in loan from then directors		**–**	1,000
Repayment of lease liabilities		**(3,303)**	(1,313)
Interest paid on lease liabilities		**(269)**	(66)
Net cash generated from/(used in) financing activities		**343**	(2,618)
Net (decrease)/increase in cash and cash equivalents		**(13,370)**	4,362
Cash and cash equivalents at beginning of the year		**14,561**	10,199
Cash and cash equivalents at end of the year		**1,191**	14,561

1. GENERAL

Quantong Holdings Limited (formerly known as Pak Wing Group (Holdings) Limited) (the "Company", together with its subsidiaries, the "Group") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company has been change from Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108; Cayman Island to Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands with effective on 16 December 2020, and the Company's head office and principal place of business is 5/F, Shum Tower, 268 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company is an investment holding company and the Group is principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 22 January 2021, the shareholders of the Company have approved to change the English name of the Company from "Pak Wing Group (Holdings) Limited" to "Quantong Holdings Limited" and its Chinese name of "柏榮集團（控股）有限公司", which is for identification purpose only, has been replaced by "全通控股有限公司" as the dual foreign name in Chinese of the Company (the "Change of Company Name").

Pursuant to the announcement of the Company dated 22 December 2020, Steel Dust Limited, the then substantial shareholder of the Company, and acting by receivers as its attorney entered into a sale and purchase deed on 14 December 2020 to sell 600,000,000 shares of the Company (representing 75.00% of the then entire issued share capital of the Company as at the date of 17 December 2020), at the consideration of HK$40,000,000 to Quantong Group Holdings Limited. Upon completion of the sale on 17 December 2020, Quantong Group Holdings Limited becomes the immediate holding company and the ultimate parent of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective on 1 April 2020

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Set out below are those that are relevant to the Group's consolidated financial statements:

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

The application of other amendments to HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied any new or amended HKFRSs that are not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions: Extension of Practical Expedient. Impact on the applications of HKFRS 16, Covid-19-Related Rent Concessions is summarised below.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective on 1 April 2020 (Continued)

Early adoption of revised standard — Amendment to HKFRS 16 — Covid-19-Related Rent Concessions: Extension of Practical Expedient

The Group has early adopted Amendment to HKIFRS 16 — COVID-19-Related Rent Concessions — Extension of Practical Expedient retrospectively from 1 April 2020. The amendment provides a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2022; and;

(c) there is no substantive change to other terms and conditions of the lease. Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concessions.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. Rent concessions totaling HK$60,000 have been accounted for as negative variable lease payments and recognised in the consolidated statement of profit or loss for the year ended 31 March 2021 (see note 8), with a corresponding adjustment to the lease liabilities.

As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020), Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors of the Company (the "Directors") do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 — Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosure. The amendments to HKAS 1 require companies to disclosure their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 8 — Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 16 — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 — Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

HKFRS 9, Financial Instruments, which clarifies the fees included in the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

HKFRS 16, Leases, which amends Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

HKAS 41, Agriculture, which removes the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

3. BASIS OF PRESENTATION AND PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited.

(b) Basis of preparation and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis.

The Group continued to sustain a gross loss of approximately HK$15,813,000 and generated a net loss of approximately HK$29,450,000 for the year ended 31 March 2021. In addition, the Group had net current liabilities and net liabilities of approximately HK$21,483,000 and HK$44,136,000, respectively, as at 31 March 2021. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis as the Directors, based on a cash flow forecast of the Group prepared by them covering a period up to 30 June 2022 (the "Cash Flow Forecast"), are satisfied that the Group will be able to meet its financial obligations as and when they fall due. In preparing the Cash Flow Forecast, the Directors have taken account of the following:

(i) Mr. Xing Yuan ("Mr. Xing"), an executive director of the Company and the beneficial owner of the ultimate prevent of the Company, has agreed in writing not to demand repayment of the amount due from the Company of HK$7,655,000 as at 31 March 2021 (Note 23) within fifteen months from 31 March 2021. Mr. Xing also agreed to grant further extension of the outstanding balance until the Company is able to meet its obligations.

(ii) In June 2021, Mr. Xing entered into a loan facility agreement with an independent financial institution in Hong Kong for an amount of HK$60 million for 18 months (the "Loan Facility") and made the Loan Facility available to the Company and pursuant to the terms of the Loan Facility, funds are exclusively for the Company and made available upon its request.

(iii) On 21 June 2021, Mr. Xing personally entered into a loan facility agreement with the Company, pursuant to which Mr. Xing agreed to provide a loan facility of HK$20 million to the Company. The loan is unsecured, interest free and matures in 18 months from date of agreement. At the reporting date, an amount of HK$9.3 million has been utilised by the Company.

3. BASIS OF PRESENTATION AND PREPARATION (Continued)

(b) Basis of preparation and going concern assumption (Continued)

(iv) Mr. Fu Yik Lung ("Mr. Fu"), a related party of the Company, has agreed in writing not to demand repayment of the amount due from the Company of HK$15,050,000 as at 31 March 2021 (Note 23), within fifteen months from 31 March 2021. Mr. Fu also agreed to grant further extension of the outstanding balance until the Company is able to meet its obligations.

Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to re-classify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in these consolidated financial statements.

(c) Functional and presentation currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leased building where the Group is not the registered owner of the property interest (see Note 4(e)), are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Leased building	Over the lease terms
Leasehold improvements	Over the lease term but not exceeding 5 years
Machineries	20% per annum
Furniture and equipment	20% per annum
Motor vehicles	30% per annum

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(d) Government grant

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 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 and are recognised as other revenue, rather than reducing the related expense.

(e) Leases

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months and low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing (Continued)

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The Group accounts for leased building which is held for own use under HKAS 16 and are amortised over the shorter of assets' useful life and lease term on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed lease payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group as a lessor

The Group has leased out its machineries to a tenant. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its financial assets at amortised cost as explain below:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade and other receivables, contract assets and other financial assets measured at amortised cost. The ECLs are updated at each reporting period and are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The Group always recognise lifetime ECL for trade receivables and contract assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables, and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The ECL on trade receivables and contract assets are assessed individually.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group has established estimates lifetime ECLs on an individual customer basis that is based on various factors including the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full. Irrespective of the above, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. All trade receivables with more than one year past due are considered an event of default and fully credit-impaired.

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.

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

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred, including financial liabilities at amortised cost. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, other borrowings, amount due to a shareholder, loan from a related party, lease liabilities, amounts due to then directors and loan from then directors are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

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

(h) Cash and cash equivalents

Cash and cash equivalents, including cash and bank balances, comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(i) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liabilities under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

As the delayed payment terms in respect of retention receivables are for reasons other than to provide financing to the customers, which is security given to the customer (i.e. the contractor) in case that the Group fails to adequately complete some or all of its obligations under the contract, there are no significant financing component identified.

(a) Provision of foundation construction services

The Group provides foundation construction services based on contracts entered into with customers. Such contracts are entered into before the services begin. Based on the terms of the contracts and the specific facts and circumstances, the Group recognises revenue from provision of foundation construction service is recognised over time as the Group believes that, the foundation construction work performed by the Group creates or enhances the assets that the customers control as the assets is created or enhanced. Revenue from provision of foundation construction work is therefore recognised over time using output method, i.e. based on the progress towards completion of the contracts by reference to the relevant payment certificate issued by customers. The Directors consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15 "Revenue from Contracts with Customers".

For contracts that contain variable consideration, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

(a) Provision of foundation construction services (Continued)

For the loss making contracts, when it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 circumstance during the reporting period.

(b) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

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

(c) Contract assets and liabilities

Contract assets represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. 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.

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

Contract assets are recognised when (i) the Group completes the foundation construction works under such services contracts but yet certified through the payment certificate issued by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as contract assets are reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises contract liabilities for the difference.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

(d) Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

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

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

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

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty, related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each reporting period, and reflects any uncertainty related to income tax.

Deferred tax liabilities are recognised for taxable temporary differences arising on property, plant and equipment, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(l) Impairment of assets (other than financial assets)

Property, plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and investment in subsidiaries, to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as profit or loss immediately.

(m) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(n) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets.

Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segment" are the same as those used in its consolidated financial statements prepared under HKFRS 8.

(p) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Critical judgements going concern basis

As disclosed in Note 3(b), the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into account of all relevant available information about the future of the Group, including cash flow forecast of the Group covering a period up to 30 June 2022. Such forecast about the future inherently involves various assumptions and uncertainties. In the preparation of the cash flow forecast of the Company, the Directors assumed that further extension of the loans from a shareholder and a related party would be granted until the Group is able to meet its obligations. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Provision of foundation construction services

The determination of the progress of the foundation construction services involves judgements and the Group recognises revenue based on survey of work performed which reflects the progress towards complete satisfaction of the performance obligation. The customers will provide final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual foundation construction works till the day of completion. In addition, when determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purposes. As the delayed payment terms in respect of retention receivables are for reasons other than to provide financing to the customers, which is security given to the customer (i.e. the contractor) in case that the Group fails to adequately complete some or all of its obligations under the contract, there are no significant financing component identified.

Significant judgement is required in estimating the contract revenue, contract costs, variations and provision for claims which may have an impact in terms of percentage of completion and profit taken. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Estimates and assumptions (Continued)

(ii) Impairment of non-financial assets

The Group assesses at the end of each of the reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of fair value less cost of disposal and the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit ("CGU") to which the asset is allocated. Fair value less costs of disposal is based on management estimates having regard to estimated fair value provided by an independent external valuer, which is a level 3 fair value measurement. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(iii) Expected credit loss allowance of trade receivables

Management of the Group has determined the provision for the trade receivables by estimating a lifetime expected loss allowance for all trade receivables. The loss allowance for financial assets is determined based on a number of key assumptions. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on information including the Group's historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment.

(iv) Estimated useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the reporting periods, based on changes in circumstances.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Estimates and assumptions (Continued)

(v) Lease term and discount rate determination

In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(vi) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment is required to be tested annually for impairment. For the purpose of impairment testing, property, plant and equipment and right of use assets has been allocated to the cash generating unit ("CGU") operating in the foundation construction.

Determining whether other assets allocated to foundation construction CGU are impaired requires fair value less cost of disposal calculation. Further information on the impairment assessment on foundation construction CGU are provided in Note 16.

In respect of remaining assets, which are allocated to the foundation construction CGU, carrying value of these assets was compared to the recoverable amount being fair value less cost of disposal or value in use. While Covid-19 pandemic did not have significant impact on the foundation construction business in the year ended 31 March 2021, a protracted economic recovery may result in additional impairments in future periods.

(vii) Income taxes

Determining income tax provisions requires the Group to make judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. SEGMENT INFORMATION

Operating segments

The Group is principally engaged in the provision of foundation business as a foundation subcontractor in Hong Kong. The Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The Group's revenue was principally derived from Hong Kong based on the location of the customers, and all of its non-current assets were located in Hong Kong based on the location of assets. Therefore, no geographical information is presented.

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 **HK$'000**	2020 HK$'000
Customer A	**85,881**	32,023
Customer B	**11,414**	24,444
Customer C	**N/A**	21,484
Customer D	**N/A**	13,985

N/A: The relevant revenue tax the years ended 31 March 2021 and 2020, respectively, did not exceed 10% of the Group's revenue.

7. REVENUE

The Group's revenue represents amounts received and receivable from contract work performed and is recognised over time in accordance with accounting policy set out in Note 4(i) above for the years ended 31 March 2021 and 2020.

	2021 **HK$'000**	2020 HK$'000
Revenue recognised over time		
Foundation construction	**104,601**	99,833

7. REVENUE (Continued)

The following table provides information about trade receivables and contract assets from contracts with customers.

	2021 HK$'000	2020 HK$'000
Trade receivables (Note 19(a))	**8,514**	19,643
Contract assets (Note 17)	**7,061**	6,617

The Group has applied the practical expedient to its contracts for foundation construction services and therefore, the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for construction production that had an original expected duration of one year or less.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of the foundation business. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses. During the years ended 31 March 2021 and 2020, the Group did not have any contracts with completion bonuses.

8. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Gain on disposal of property, plant and equipment, net	**2,509**	15,173
Rental income from leasing machineries	**159**	1,172
Covid-19 related rent concessions (Note i)	**60**	–
Government grants (Note ii)	**2,813**	–
Others	**12**	587
	5,553	16,932

Notes

i The Group has early adopted Amendment to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

ii During the year ended 31 March 2021, the Group received government grants from the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") under a One-off Subsidy Scheme as financial support for its businesses. There are no unfilled conditions or other contingencies attaching to these grants.

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Depreciation charge:		
— Owned property, plant and equipment	**2,910**	3,435
— Right-of-use assets	**2,115**	1,184
	5,025	4,619
Auditor's remuneration	**610**	580
Impairment loss of property, plant and equipment (Note 16)	**3,665**	–
Loss on written off of property, plant and equipment	**1,488**	–
Lease payments not included in the measurement of lease liabilities		
— Land and buildings	**–**	1,158
(Reversal of)/provision of impairment loss on trade receivables	**(1,178)**	1,192
(Reversal of)/provision of impairment loss on other receivables	**807**	5,223
(Reversal of)/provision of impairment loss on contract assets	**(312)**	187
Employee benefit expenses (Note 10)	**25,183**	26,500

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2021 HK$'000	2020 HK$'000
Wages, salaries and other benefits	**24,581**	25,778
Post-employment benefits — defined contribution retirement plan contributions	**602**	722
	25,183	26,500

11. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on loan from other borrowings	**1,409**	1,567
Interest on lease liabilities	**269**	66
	1,678	1,633

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration for the years are as follows:

	Fees HK$'000	Salaries and benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2021				
Executive directors:				
Mr. Xing (i)	134	–	–	134
Mr. Ji Zhendong (ii)	48	–	–	48
Mr. Lai Yanjun (ii)	48	–	–	48
Ms. Xu Zhi (ii)	48	–	–	48
Mr. Lau Yik Lok (iii)	–	97	5	102
Mr. Wong Chin To ("Mr. Wong") (ix)	–	2,900	18	2,918
	278	2,997	23	3,298
Non-executive directors:				
Mr. Xing Lei (viii)	17	–	–	17
	17	–	–	17
Independent non-executive directors:				
Mr. Lee Man Yeung (iv)	–	104	5	109
Mr. Wong Chun Hung (v)	36	–	–	36
Mr. Kung Wai Chiu Marco (v)	24	–	–	24
Ms. Wong Chi Yan (v)	24	–	–	24
Mr. Sai Chun Yu (vi)	94	–	5	99
Mr. Lee Yan Sang (vi)	94	–	5	99
Mr. Yang Zida (vii)	–	10	1	11
	272	114	16	402
Total	567	3,111	39	3,717

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

	Fees HK$'000	Salaries and benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2020				
Executive directors:				
Mr. Wong (ix)	–	2,772	18	2,790
Mr. Zhang Weijie ("Mr. Zhang") (x)	–	160	5	165
Mr. Duan Ximing (x)	–	40	2	42
	–	2,972	25	2,997
Independent non-executive directors:				
Mr. Lee Man Yeung (iv)	–	120	6	126
Ms. Li Huanli (xi)	–	100	5	105
Mr. Yang Zida (vii)	–	120	6	126
	–	340	17	357
Total	–	3,312	42	3,354

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Notes:

(i) Mr. Xing was appointed as an executive director on 10 February 2021.

(ii) Mr. Ji Zhendong, Mr. Lai Yanjun and Ms. Xu Zhi were appointed as executive directors on 20 January 2021.

(iii) Mr. Lau Yik Lok was appointed as an Chief Executive Officer on 16 September 2020 and resigned from his position on 10 February 2021.

(iv) Mr. Lee Man Yeung resigned as an independent non-executive director on 10 February 2021.

(v) Mr. Wong Chun Hung, Mr. Kung Wai Chiu Marco and Ms. Wong Chi Yan were appointed as independent non-executive directors on 20 January 2021.

(vi) Mr. Sai Chun Yu and Mr. Lee Yan Sang were appointed as an independent non-executive directors on 29 April 2020 and resigned from their position on 10 February 2021.

(vii) Mr. Yang Zida resigned as independent non-executive director on 29 April 2020.

(viii) Mr. Xing Lei was appointed as an non-executive director on 10 February 2021.

(ix) Mr. Wong resigned as an executive director on 10 February 2021.

(x) Mr. Zhang and Mr. Duan Ximing retired as executive directors on 21 August 2020.

(xi) Ms. Li Huanli resigned as an independent non-executive director on 31 January 2020.

During the current and prior years, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. The executive directors' emoluments shown above were mainly 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 mainly for their services as the Directors.

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 1 former executive director, Mr. Wong (Note 12(a)) of the Company for the year ended 31 March 2021 (2020: 1 executive director), whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**5,976**	5,925
Pension scheme contributions — defined contribution plans	**92**	95
	6,068	6,020

Their remuneration fell within the following bands:

	2021 No. of employees	2020 No. of employees
Nil to HK$500,000	**–**	–
HK$500,001 to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1

During the current and prior years, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(c) Senior management's emoluments

The emoluments paid or payable to a member of senior management, other than the five highest paid employees were within the following bands:

	2021 No. of employees	2020 No. of employees
Nil to HK$1,000,000	–	–
More than HK$1,000,000	**1**	1

13. INCOME TAX (EXPENSE)/CREDIT

The amount of income tax (expense)/credit in the consolidated statement of comprehensive income represents:

	2021 HK$'000	2020 HK$'000
Current tax		
Hong Kong profits tax		
— charge for the year	**–**	(102)
Deferred tax (Note 25)	**(89)**	608
Income tax (expense)/credit	**(89)**	506

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 March 2021. According to the Inland Revenue (Amendment) Bill 2017 (the "Bill") which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the "Regime") is first effective for the year of assessment 2018/19. Profits tax rate for the first HK$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%.

No provision for Hong Kong profits tax was made for the year ended 31 March 2020 as the group entities which are subject to Hong Kong profits tax either incurred losses for the year or had tax losses brought forward to set off with the assessable profits for the year.

Income tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2020: Nil).

The income tax expense/(credit) for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Loss before income tax	**(29,361)**	(7,713)
Tax on loss before income tax, calculated at the applicable Hong Kong profits tax rates	**(4,845)**	(1,375)
Tax effect of non-deductible expenses	**1,517**	1,959
Tax effect of deductible temporary difference not recognised	**3,416**	1,559
Tax effect of tax loss not recognised	**797**	–
Utilisation of tax loss not recognised	**–**	(289)
Tax effect of non-taxable income	**(796)**	(2,360)
Income tax expense/(credit)	**89**	(506)

14. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2021 and 2020.

15. LOSSES PER SHARE

The calculation of the basic losses per share attributable to the ordinary equity holders of the Company is based on the following data:

	2021 HK$'000	2020 HK$'000
Loss		
Loss for the purpose of calculating basic losses per share	**(29,450)**	(7,207)

	Number of shares '000	Number of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic losses per share	**800,000**	800,000

There were no potential ordinary shares in issue for the years ended 31 March 2021 and 2020. Accordingly, the diluted losses per share presented is the same as the basic losses per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leased building HK$'000	Leasehold improvements HK$'000	Machineries HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2019	1,017	970	43,377	1,456	6,430	53,250
Additions	–	2,407	9,395	6	64	11,872
Disposals	–	–	(27,592)	–	(2,341)	(29,933)
At 31 March 2020 and 1 April 2020	1,017	3,377	25,180	1,462	4,153	35,189
Additions	2,212	–	–	18	–	2,230
Disposals	–	–	(7,415)	–	(270)	(7,685)
Written-off	–	–	(3,800)	–	–	(3,800)
At 31 March 2021	3,229	3,377	13,965	1,480	3,883	25,934
Accumulated depreciation and impairment						
At 1 April 2019	–	646	36,635	1,143	4,644	43,068
Charge for the year	414	195	2,987	217	806	4,619
Eliminated on disposals	–	–	(25,041)	–	(2,231)	(27,272)
At 31 March 2020 and 1 April 2020	414	841	14,581	1,360	3,219	20,415
Charge for the year	1,178	547	2,616	81	603	5,025
Eliminated on disposals	–	–	(7,400)	–	(257)	(7,657)
Written-off	–	–	(912)	–	–	(912)
Impairment	1,637	1,989	–	39	–	3,665
At 31 March 2021	3,229	3,377	8,885	1,480	3,565	20,536
Net book value						
At 31 March 2021	–	–	5,080	–	318	5,398
At 31 March 2020	603	2,536	10,599	102	934	14,774

As at year ended 31 March 2021, the management of the Group concluded there was indication of impairment for foundation construction CGU as it did not operate as expected and conducted impairment assessment on recoverable amounts of property, plant and equipment other than right-of-use assets and right-of-use assets with carrying amounts (before impairment) of HK$4,104,000, and HK$4,959,000 respectively in the CGU.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The recoverable amount of CGU has been determined based on fair value less cost of disposal calculation. That calculation uses direct comparison approach by assuming sale of the assets in its existing state and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the quoted price transactions in similar assets adjusted for differences in condition between the comparable assets and the subject assets. The fair value less costs of disposal is classified as a Level 3 measurement.

Based on the result of the assessment, management of the Group determined the recoverable amount of the CGU is lower than the carrying amount and impairment of HK$2,028,000 and HK$1,637,000 has been recognised against the carrying amount of property, plant and equipment other than right-of-use assets and right-of-use assets respectively in profit or loss in 2021 against the carrying amount of assets used in foundation construction CGU. No impairment loss has been recognised or reversed in 2020.

Right-of-use assets	**Leased building** HK$'000	**Machineries** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
At 1 April 2019	1,017	466	313	1,796
Additions	–	4,396	–	4,396
Disposals	–	(146)	–	(146)
Depreciation	(414)	(535)	(235)	(1,184)
At 31 March 2020 and 1 April 2021	603	4,181	78	4,862
Additions	2,212	–	–	2,212
Depreciation	(1,178)	(859)	(78)	(2,115)
Impairment	(1,637)	–	–	(1,637)
At 31 March 2021	–	3,322	–	3,322

17. CONTRACT ASSETS

	2021 **HK$'000**	2020 HK$'000
Contract assets arising from:		
Foundation construction services		
— Retention receivables from contracts with customers within the scope of HKFRS 15	**7,061**	6,617
Less: provision of impairment loss	**(47)**	(359)
	7,014	6,258

Foundation construction services

The expected timing of recovery or settlement for contract assets as at 31 March 2021 and 2020 are as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**7,014**	6,258

The movements in contract assets during the years are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 April	**6,258**	5,927
Addition during the year	**4,194**	6,631
Transfer to trade receivables during the year	**(3,750)**	(5,941)
Reversal of/(provision for) impairment loss	**312**	(359)
As at 31 March	**7,014**	6,258

The contract assets primarily relates to the Group's right to consideration for construction works completed but not yet billed to customers, and the retention receivables at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is when the Group issue progress billings to customer based on the progress certificate agreed with customer or when the retention receivable become unconditional.

17. CONTRACT ASSETS (Continued)

Foundation construction services (Continued)

Included within contract assets is an amount of approximately HK$7,014,000 (2020: HK$6,258,000) which relate to amounts withheld up to 5%–10% (2020: 5%–10%) of the contract sum under contractual terms from trade receivables from customers as the construction work progresses. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts, which is typically 12 months after the physical completion of the project. As these amounts are expected to be realised in the normal operating cycle, they are classified as current assets.

An impairment analysis is performed at each reporting date using simplified approach to provide for lifetime ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for trade receivables and assesses the expected losses on trade receivables individually. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

The movements in provision for impairment of contract assets are as follow:

	2021 **HK$'000**	2020 HK$'000
At 1 April	**359**	172
(Reversal of)/provision for impairment loss on contract assets	**(312)**	187
At 31 March	**47**	359

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	–	4,907

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately of HK$40,026,000 (2020: HK$37,221,000).

19. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables (Note (a))	**8,514**	19,643
Other receivables (Note (b))	**7,078**	8,043
Prepayments (Note (b))	**330**	177
Deposits (Note (b))	**630**	844
	16,552	28,707
Less: provision of impairment loss	**(6,043)**	(8,028)
	10,509	20,679

(a) Trade receivables

	2021 HK$'000	2020 HK$'000
Trade receivables, gross (Note)	**8,514**	19,643
Less: provision of impairment loss	**(279)**	(1,457)
Trade receivables, net	**8,235**	18,186

Note: Trade receivables were mainly derived from the provision of foundation works and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

19. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

The following is an analysis of trade receivables by age, net of loss allowance, presented based on the invoice dates:

	2021 HK$'000	2020 HK$'000
Current or less than one month	**7,047**	10,064
One to three months	**745**	6,417
More than three months but less than one year	**443**	1,610
More than one year	**–**	95
	8,235	18,186

Before accepting any new customer, the Group has assessed the potential customer's credit rating on individual basis. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

The movements in provision for impairment loss of trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 April	**1,457**	265
(Reversal of)/provision for impairment loss on trade receivables	**(1,178)**	1,192
At 31 March	**279**	1,457

The Group periodically measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The provision of the impairment loss on trade receivables are estimated individually after considering credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables.

19. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables, prepayments and deposits

	2021 HK$'000	2020 HK$'000
Other receivables (Note (i))	**7,078**	8,043
Prepayments	**330**	177
Deposits (Note (ii))	**630**	844
	8,038	9,064
Less: provision of impairment loss	**(5,764)**	(6,571)
	2,274	2,493

Notes:

(i) As at 31 March 2021, the other receivables mainly comprised sales proceeds of machineries and motor vehicles of approximately HK$100,000 (2020: HK$100,000); advance payments to subcontractors of approximately HK$6,507,000 (2020: HK$6,922,000); rental receivables of approximately HK$361,000 (2020: HK$418,000); and other receivables of staff advance of approximately HK$91,000 (2020: HK$182,000).

(ii) As at 31 March 2021 and 2020, respectively, the deposits mainly comprised rental deposits of office, warehouse, carpark and machinery.

Upon adoption of HKFRS 9, the 12-month ECLs was determined based on historical settlement records and past experience with these debtors as well as credit risk and other market factors. As at 31 March 2021, the recognition of ECLs decreased from HK$6,571,000 to HK$5,764,000 (2020: increased from HK$1,348,000 to HK$6,571,000). Details of impairment assessment of other assets as at 31 March 2021 are set out in Note 31(a).

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group represent cash at banks and in hand.

21. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables (Note (a))	**18,104**	26,325
Accruals (Note (b))	**4,389**	8,047
	22,493	34,372

21. TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) An ageing analysis of trade payables as at the end of the reporting period, based on invoice dates, is as follows:

	2021 HK$'000	2020 HK$'000
Current or less than one month	**1,779**	8,856
One to three months	**4,682**	12,410
More than three months but less than one year	**5,740**	2,449
More than one year	**5,903**	2,610
	18,104	26,325

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 45 days.

(b) As at 31 March 2021, accruals mainly comprised (i) accrued expenses for subcontractors of approximately HK$2,236,000 (2020: HK$4,159,000); (ii) accrued salary and wages of approximately HK$828,000 (2020: HK2,515,000); and (iii) accrued audit fee of approximately HK$611,000 (2020: HK$580,000). The balances of accruals are non-interest bearing and have average payment terms of one to three months.

22. OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Current:		
Mr. Zhang (Note (a))	**11,334**	–
Mr. Wong (Note (b))	**1,268**	–
Mr. Tse Chun Kit ("Mr. Tse") (Note (c))	**2,181**	–
	14,783	–
Non-current:		
Mr. Tse (Note (c))	**4,497**	9,667
	4,497	9,667

22. OTHER BORROWINGS (Continued)

At the end of the reporting date, total current and non-current other borrowing were scheduled to repay as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**14,783**	–
Between one and two year	**4,497**	9,667
Between two and five year	**–**	–
	19,280	9,667

Notes:

(a) Mr. Zhang granted two loans to the Company at principal amount of HK$3,477,000 and HK$3,787,000, respectively, in 31 March 2018. The loans are unsecured, with interest rate at 5% per annum and will expire on 30 June 2021. As at 31 March 2021, the accumulated loan interest is approximately HK$1,376,000 (2020: HK$942,000) and payable with the principal amount on the expiry date. Pursuant to the annual general meeting on 21 August 2020, Mr. Zhang retired as executive director of the Company, therefore, the outstanding balance was reclassified as other borrowings from amounts due from directors and loans from directors as at 31 March 2021. The remaining balance of other borrowings represents other cash advances from Mr. Zhang of HK$2,694,000 (2020: HK$2,237,000) and the cash advance are unsecured, interest-free and repayable on demand.

	2021 HK$'000	2020 HK$'000
Loan borrowings	**7,264**	–
Interest payable	**1,376**	–
Cash advances	**2,694**	–
	11,334	–

(b) Mr. Wong granted two new loans to Pak Wing Construction Company Limited ("Pak Wing Construction"), a wholly-owned subsidiary of the Company, at principal amount of HK$1,000,000 and HK$800,000 on 23 December 2020 and 15 March 2021 respectively, to support the operation of Pak Wing Construction. The loans are unsecured, with interest rate at 5% per annum and repayable on demand. Pak Wing Construction repaid the principal amount and interest payable of approximately HK$600,000 in January 2021. The accumulated loan interest is approximately HK$20,000 and payable on demand. Mr. Wong resigned as an executive Director on 10 February 2021 and therefore, the outstanding balance was reclassified as other borrowings from amounts due from directors and loan from directors as at 31 March 2021. The remaining balance of other borrowings represents other cash advances from Mr. Wong of HK$22,000 (2020: HK$537,000) as accounted for in accounts due to directors (Note 23)) and the cash advance are unsecured, interest free and repayable on demand.

	2021 HK$'000	2020 HK$'000
Loan borrowings	**1,226**	–
Interest payable	**20**	–
Cash advance	**22**	–
	1,268	–

22. OTHER BORROWINGS (Continued)

Notes: (Continued)

(c) The amount due to Mr. Tse, a director of Pak Wing Construction, comprises the remaining loans balance of approximately HK$4,468,000 (2020: HK$7,665,000), accumulated interest payable of the loans of approximately HK$1,497,000 (2020: HK$1,289,000) and cash advances to Pak Wing Construction at amount of approximately HK$713,000 (2020: HK$713,000).

The loans from Mr. Tse are unsecured, with fixed interest rate at a range of 3%–5% per annum, are repayable in June 2021 and September 2022, respectively. The corresponding loan interests of approximately HK$1,497,000 will be settled according to the loan expiry date. The cash advance from Mr. Tse is unsecured, interest free and repayable on demand.

Mr. Tse agreed not to demand repayment of the accrued interest and cash advances within twelve months from the year ended 31 March 2020 and therefore they are classified as non-current liabilities as at 31 March 2020. No such arrangement was made for the year ended 31 March 2021.

	2021 **HK$'000**	2020 HK$'000
Loan borrowings	**4,468**	7,665
Interest payable	**1,497**	1,289
Cash advances	**713**	713
	6,678	9,667
Less: Non-current other borrowings (Note (a))	**(4,497)**	(9,667)
Current other borrowing	**2,181**	–

(a) The Group's cash advances and loan borrowing was previously presented as non-current other payables in the consolidated statement of financial position. The Group reclassified the balance of cash advances, loan borrowing and interest payable to other borrowings to reflect more appropriately the way in which are presented in in the consolidated statement of financial position. Therefore, as at 31 March 2020, the non-current other payable of HK$9,667,000 including cash advances, loan borrowing and interest payable was reclassified to non-current other borrowings to confirm with current year presentation.

23. AMOUNTS DUE TO A SHAREHOLDER/THEN DIRECTORS AND LOAN FROM A RELATED PARTY/THEN DIRECTORS

	2021 HK$'000	2020 HK$'000
Non-current:		
Amount due to a shareholder		
Mr. Xing (Note (a))	**7,655**	–
Loan from a related party		
Mr. Fu (Note (b))	**15,050**	–
Amounts due to then directors		
Mr. Wong (Note (c))	**–**	537
Mr. Zhang (Note (d))	**–**	2,237
	–	2,774
Loan from then directors		
Mr. Wong (Note (c))	**–**	16,014
Mr. Zhang (Note (d))	**–**	8,206
	–	24,220

Notes:

(a) As Mr. Xing is an executive director of the Company appointed on 10 February 2021. The amount due from the Company with carrying amount of approximately HK$7,655,000 (2020: HK$Nil) is unsecured and interest free. Mr. Xing agreed not to demand repayment of amount due from the Company within fifteen months from 31 March 2021. Accordingly, the Directors considered that the Group has unconditional right to defer settlement of such amount and therefore it is classified as non-current liabilities as at 31 March 2021.

(b) As Mr. Fu is an executive director of the ultimate holding company of the Company. The loan with carrying amount of approximately HK$15,050,000 (2020: HK$Nil) are unsecured and interest free. Mr. Fu agreed not to demand repayment of loan within fifteen months from 31 March 2021. Accordingly, the directors of the Company considered that the Group has an unconditional right to defer settlement of such loan and therefore it is classified as non-current liabilities as at 31 March 2021.

(c) As Mr. Wong resigned as an executive director on 10 February 2021. The outstanding balance of HK$1,268,000 was reclassified as other borrowings from amounts due from directors and loan from directors as at 31 March 2021, please refer to Note 22(b).

(d) As Mr. Zhang has been retired as executive director of the Company 21 August 2020. The outstanding balance of HK$11,334,000 was reclassified as other borrowings from amount due from directors and loan from directors as at 31 March 2021, please refer to Note 22(a).

24. LEASES

The Group leases two properties in Hong Kong.

The Group also leases certain items of machineries and motor vehicles which comprise fixed payments over the lease terms.

The carrying amounts of the Group's lease liabilities, and the movements during the year are as follows:

	Leased buildings HK$'000	**Machineries** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
As at 1 April 2019	1,017	69	426	1,512
Additions	–	4,396	–	4,396
Lease payments	(442)	(728)	(209)	(1,379)
Interest expenses (Note 11)	44	11	11	66
As at 31 March 2020 and 1 April 2020	619	3,748	228	4,595
Additions	2,212	–	–	2,212
Covid-19 related rental concessions	(60)	–	–	(60)
Lease payments	(1,322)	(2,014)	(236)	(3,572)
Interest expenses (Note 11)	176	85	8	269
As at 31 March 2021	1,625	1,819	–	3,444
Current portion	1,000	1,819	–	2,819
Non-current portion	625	–	–	625
As at 31 March 2021	1,625	1,819	–	3,444
Current portion	419	2,093	158	2,670
Non-current portion	200	1,655	70	1,925
As at 31 March 2020	619	3,748	228	4,595

24. LEASES (Continued)

Lease liabilities

Future lease payments are due as follows:

	Minimum lease payments as at 31 March 2021 HK$'000	**Interest as at 31 March 2021 HK$'000**	**Present value as at 31 March 2021 HK$'000**
Not later than one year	**2,949**	**(130)**	**2,819**
Later than one year and not later than two years	**648**	**(23)**	**625**
	3,597	**(153)**	**3,444**

	Minimum lease payments as at 31 March 2020 HK$'000	Interest as at 31 March 2020 HK$'000	Present value as at 31 March 2020 HK$'000
Not later than one year	2,784	(114)	2,670
Later than one year and not later than two years	1,956	(31)	1,925
	4,740	(145)	4,595

The present value of future lease payments are analysed as:

	2021 HK$'000	2020 HK$'000
Current liabilities	**2,819**	2,670
Non-current liabilities	**625**	1,925
	3,444	4,595

25. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements during the current and prior years are as follows:

	Tax losses HK$'000	**Accelerated depreciation allowances** HK$'000	**Total** HK$'000
At 1 April 2019	303	(1,046)	(743)
(Credited)/charged to profit or loss for the year (Note 13)	(303)	911	608
At 31 March 2020 and 1 April 2020	–	(135)	(135)
Credited to profit or loss for the year (Note 13)	–	(89)	(89)
At 31 March 2021	–	(224)	(224)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 **HK$'000**	2020 HK$'000
Deferred tax assets	**–**	
Deferred tax liabilities	**(224)**	(135)
	(224)	(135)

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of certain unused tax losses amounting to approximately HK$68,139,000 (2020: HK$47,445,000) due to the unpredictability of future profit streams in the relevant entities. The tax losses arising from the operation do not expire under current tax legislation in the relevant tax jurisdiction.

26. SHARE CAPITAL

	Number of ordinary shares '000	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	800,000	8,000

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Investments in subsidiaries		**–**	–
Current assets			
Prepayments and deposits		**164**	75
Amount due from a subsidiary		**–**	1,000
Cash and cash equivalents		**53**	5
		217	1,080
Current liabilities			
Accruals and other payables		**15,102**	877
		15,102	877
Non-current liabilities			
Loan from a related party	23	**15,050**	
Amount due to a shareholder	23	**7,655**	–
Amount due to then director		**–**	2,226
Loan from then director	23	**–**	8,206
		22,705	10,432
NET LIABILITIES		**(37,590)**	(10,229)
DEFICITS			
Share capital	26	**8,000**	8,000
Reserves	28	**(45,590)**	(18,229)
TOTAL DEFICITS		**(37,590)**	(10,229)

On behalf of the Board of Directors

Xing Yuan
Director

Ji Zhendong
Director

28. RESERVES

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

	Share premium (Note (a)) HK$'000	**Capital reserve (Note (c))** HK$'000	**Accumulated losses (Note (d))** HK$'000	**Total** HK$'000
At 1 April 2019	82,525	2,136	(98,620)	(13,959)
Loss for the year	–	–	(4,270)	(4,270)
At 31 March 2020 and 1 April 2020	82,525	2,136	(102,890)	(18,229)
Loss for the year	–	–	(27,361)	(27,361)
At 31 March 2021	82,525	2,136	(130,251)	(45,590)

Notes:

The nature and purpose of reserves within equity are as follows:

(a) Share premium

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as the fall due in the ordinary course of business.

(b) Merger reserve

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

(c) Capital reserve

The amount represents in substance capital contribution from Mr. Zhang, the then controlling shareholder of the Company as at 31 March 2021 and 2020 and Mr. Wong and Mr. Tse, the then former controlling shareholders of the Company, as at 31 March 2017, respectively, being the difference between the fair value of the loans from them on initial recognition and the loan proceeds received by the Group. For details of the loans, please refer to Notes 22 and 23.

(d) Accumulated losses

The amount represents cumulative net gains and losses recognised in profit or loss.

29. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2021 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
Pak Wing Group Limited	British Virgin Islands (the "BVI"), 14 May 2014, limited liability company	100%	–	100 ordinary shares of United States dollar ("US$")1 each	Investment holding, Hong Kong
Unicorn World Holdings Limited	BVI, 29 October 2014, limited liability company	100%	–	100 ordinary shares of US$1 each	Investment holding, BVI
Pak Wing Construction	Hong Kong, 18 October 2011, limited liability company	–	100%	Ordinary shares of HK$10,000	Foundation subcontractor, Hong Kong
Pak Wing Machinery Company Limited	Hong Kong, 29 May 2013, limited liability company	–	100%	Ordinary shares of HK$10,000	Rental of machinery, Hong Kong
Glorious Leap Limited	BVI, 25 May 2017, limited liability company	100%	–	100 ordinary shares of US$1 each	Investment holding, BVI
Grand Goal Group Limited	BVI, 25 May 2017, limited liability company	100%	–	100 ordinary shares of US$1 each	Investment holding, BVI
Glorious Leap (Hong Kong) Limited	Hong Kong, 9 June 2017, limited liability company	–	100%	Ordinary shares of HK$10,000	Dormant, Hong Kong
Star Creation Global Limited	BVI, 3 January 2019, limited liability company	100%	–	100 ordinary shares of US$1 each	Dormant, BVI
Fortune Elite Investments Limited	BVI, 16 September 2019, limited liability company	100%	–	10,000 ordinary shares of US$1 each	Dormant, BVI
Quantong Globe Limited	Hong Kong, 18 December 2020, limited liability company	–	100%	100 ordinary shares of HK$1 each	Dormant, Hong Kong

29. PARTICULARS OF SUBSIDIARIES (Continued)

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
State Charm Developments Limited	BVI, 9 October 2019, limited liability company	100%	–	10,000 ordinary shares of US$1 each	Dormant, BVI
Yuen Ji New Materials Holding Limited	Hong Kong, 20 December 2019, limited liability company	–	100%	10,000 ordinary shares of HK$1 each	Dormant, Hong Kong
Jovial Elite Holdings Limited	BVI, 23 August 2019, limited liability company	100%	–	10,000 ordinary shares of US$1 each	Dormant, BVI
Mega Benefit Corporation Limited	Hong Kong, 12 March 2021, limited liability company	–	100%	10,000 ordinary shares of HK$1 each	Dormant, Hong Kong

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions, which also constitutes connected transactions as defined in Chapter 20 of the Listing Rules, during the year:

Name of related parties	Nature of transactions	2021 HK$'000	2020 HK$'000
Mrs. Wong Ching Nam (a)	Staff costs charged (a)	**650**	711

Notes:

(a) Mrs. Wong Ching Nam ("Mrs. Wong"), the spouse of Mr. Wong, was employed and being paid for the years ended 31 March 2021 and 2020. The Directors are of the opinion that these related party transaction was conducted in the ordinary course of business of the Group.

During the year ended 31 March 2021, Mr. Wong resigned from his position (note 12(a)(ix)) and Mrs. Wong was no longer a related party of the Group thereafter.

Key management personnel compensation

The key management personnel of the Group are the Directors of the Company. Details of the remuneration paid to them during the current and prior years are set out in Note 12 to the consolidated financial statements.

31. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are contract assets, trade and other receivables and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade and other payables, amounts due to directors and loans from directors and leases liabilities. The main purpose of these financial liabilities are to finance the Group's operations.

The Group's maximum exposure to credit risk is the carrying amounts of cash and bank balances, contract assets, and trade and other receivables.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of the reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and contract assets) and bank deposits.

The Group's exposure to credit risk is influenced mainly by the individual customer. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The credit risk of Group's trade and other receivables and contract assets is concentrated, since approximately 53% of which was derived from five largest customers as at 31 March 2021 (2020: 97%).

The Group had a concentration of credit risk as certain of the Group's trade and other receivables and contract assets were due from the Group's largest customer and the five largest customers as detailed below.

	2021 **HK$'000**	2020 HK$'000
Largest customer	**7,191**	9,840
Five largest customers	**8,280**	25,386

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Contract assets and trade receivables

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 19(a).

Management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment loss allowance are made for irrecoverable amounts on trade receivables and contract assets.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated on an individual customer basis, loss rates are assigned to the individual customer accounts with reference to various factors, including the Group's historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment, which may impact the customers' ability to repay the outstanding balances in order to estimate the ECLs.

Management assessed the expected losses on trade receivables individually.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

Movements in the loss allowance account in respect of trade receivables and contract assets during the year are as follows:

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Contract assets and trade receivables (Continued)

	Trade receivables		Contract assets		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Balance at 1 January	**1,457**	265	**359**	172	**1,816**	437
Impairment losses recognised during the year	**–**	1,192	**–**	187	**–**	1,379
Impairment losses reversed during the year	**(1,178)**	–	**(312)**	–	**(1,490)**	–
Balance at 31 December	**279**	1,457	**47**	359	**326**	1,816

The significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance during 2021. The major debtors are listing companies with high credit rating resulted in a decreased in loss allowance of approximately HK$1,178,000 and HK$312,000 in trade receivables and contract assets respectively.

The ECLs of other receivables are based on the 12-month ECLs that results from default events that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since its initial recognition, the loss allowance will be based on life-time ECLs. When determining whether the credit risk has been increased significantly since its initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis with reference to the Group's historical experience and informed credit assessment with forward-looking information. Applying the ECL model result in the recognition of ECL of HK$6,571,000 at 31 March 2020, which decreased to HK$5,764,000 as at 31 March 2021.

The Group's customers are reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the reporting period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Other receivables

The following table shows the movements in lifetime ECL that has been recognised for other receivables under the general approach.

	Stage 1 Gross amount HK$'000	Stage 1 Allowance for ECLs HK$'000	Stage 2 Gross amount HK$'000	Stage 2 Allowance for ECLs HK$'000	Stage 3 Gross amount HK$'000	Stage 3 Allowance for ECLs HK$'000	Total Gross amount HK$'000	Total Allowance for ECLs HK$'000
Balance as at 1 April 2019	8,227	231	5,259	1,117	–	–	13,486	1,348
New financial assets originated during the year	1,127	–	176	–	–	–	1,303	–
Transfer from/to 12-month ECLs to/from lifetime ECLs of financial assets during the year	(1,203)	(25)	(5,239)	(1,108)	6,442	1,133	–	–
Derecognised, including repayment, during the year	(6,746)	–	–	–	–	–	(6,746)	–
Charged/(recovered) during the year	–	(120)	–	34	–	5,309	–	5,223
Balance as at 31 March 2020 and 1 April 2020	1,405	86	196	43	6,442	6,442	8,043	6,571
New financial assets originated during the year	–	–	352	11	–	–	352	11
Transfer from/to 12-month ECLs to/from lifetime ECLs of financial assets during the year	(46)	(10)	46	10	–	–	–	–
Recovered during the year	(485)	(67)	(112)	(31)	(720)	(720)	(1,317)	(818)
Balance as at 31 March 2021	874	9	482	33	5,722	5,722	7,078	5,764

(iii) Cash and bank balance

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

31. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserves of cash in the short and long term. The liquidity policies have been followed by the Group during the reporting period and are considered to have been effective in managing liquidity risk.

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than one year or repayable on demand HK$'000	More than one year HK$'000
As at 31 March 2021				
Trade and other payables	**22,493**	**22,493**	**22,487**	**6**
Leases liabilities	**3,444**	**3,597**	**2,949**	**648**
Amounts due to a shareholder	**7,655**	**7,655**	**7,655**	**–**
Other borrowings	**19,280**	**19,793**	**14,874**	**4,919**
Loan from a related party	**15,050**	**15,050**	**15,050**	**–**
	67,922	**68,588**	**63,015**	**5,573**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than one year or repayable on demand HK$'000	More than one year HK$'000
As at 31 March 2020				
Trade and other payables	34,372	34,691	33,287	8,933
Leases liabilities	4,595	4,740	2,784	1,956
Amounts due to then directors	2,774	2,774	–	2,774
Other borrowing	9,667	9,757	1,337	891
Loan from then directors	24,220	27,126	1,238	25,888
	75,628	79,088	38,646	40,442

31. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the short-term bank deposits. However, management considers the fair value interest rate risk on these deposits is insignificant as they are relatively short-term. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Management of the Group considers the interest rate risk for variable-rate bank balances are insignificant for the years ended 31 March 2021 and 2020. Hence, no sensitivity analysis is presented.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group entered into leases agreements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of approximately HK$2,212,000 (2020: HK$4,396,000) during the year ended 31 March 2021.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Other borrowings (Note 22) HK$'000	Amount due to a shareholder (Note 23) HK$'000	Loan from a related party (Note 23) HK$'000	Loan from then directors (Note 23) HK$'000	Amounts due to then directors (Note 23) HK$'000	Lease liabilities (Note 24) HK$'000	Finance leases (Note 24) HK$'000	Total HK$'000
As at 1 April 2019	13,301	–	–	22,106	926	–	495	36,828
Changes from cash flows:								
Repayment of loan to director	(4,087)	–	–	–	–	–	–	(4,087)
Increase in amounts due to then directors	–	–	–	–	1,848	–	–	1,848
Increase in loan from then directors	–	–	–	1,000	–	–	–	1,000
Repayment of leases liabilities	–	–	–	–	–	(1,313)	–	(1,313)
Interest paid	–	–	–	–	–	(66)	–	(66)
Total changes from financing cash flows	(4,087)	–	–	1,000	1,848	(1,379)	–	(2,618)
Other changes:								
Interest expense	453	–	–	1,114	–	66	–	1,633
Adjustment upon adoption of HKFRS 16	–	–	–	–	–	1,017	–	1,017
Transfer to lease liabilities	–	–	–	–	–	495	(495)	–
Addition of lease liabilities	–	–	–	–	–	4,396	–	4,396
Total changes from other change	453	–	–	1,114	–	5,974	(495)	7,046
As at 31 March 2020 and 1 April 2020	9,667	–	–	24,220	2,774	4,595	–	41,256
Changes from cash flows:								
Increase in loan from a related party	–	–	15,050	–	–	–	–	15,050
Repayment of other borrowing	(18,790)	–	–	–	–	–	–	(18,790)
Increase in amount due to a shareholder	–	7,655	–	–	–	–	–	7,655
Repayment of leases liabilities	–	–	–	–	–	(3,303)	–	(3,303)
Interest paid	–	–	–	–	–	(269)	–	(269)
Total changes from financing cash flows	(18,790)	7,655	15,050	–	–	(3,572)	–	343
Other changes:								
Covid-19 rental concession	–	–	–	–	–	(60)	–	(60)
Interest expense	1,409	–	–	–	–	269	–	1,678
Transfer to other borrowings	26,994	–	–	(24,220)	(2,774)	–	–	–
Addition of lease liabilities	–	–	–	–	–	2,212	–	2,212
Total changes from other change	28,403	–	–	(24,220)	(2,774)	2,421	–	3,830
As at 31 March 2021	19,280	7,655	15,050	–	–	3,444	–	45,429

33. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debts are calculated as the total of lease liabilities, amount due to a shareholder, loan from a related party, other borrowings, amounts due to then directors, loan from then directors and other payables and less cash and cash equivalents. Capital represents equity and net debts of the Group.

	2021 HK$'000	2020 HK$'000
Total debts	**45,429**	41,256
Less: Cash and cash equivalents	**(1,191)**	(14,561)
Net debts	**44,238**	26,695
Capital	**102**	12,009
Gearing ratio	**434**	2

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2021 Carrying amount and fair value HK$'000	2020 Carrying amount and fair value HK$'000
Financial assets at amortised cost		
Trade and other receivables	**10,179**	20,502
Cash and cash equivalents	**1,191**	14,561
	11,370	35,063
Financial liabilities at amortised cost		
Trade and other payables	**22,493**	34,372
Other borrowings	**19,280**	9,667
Amount due to a shareholder	**7,655**	–
Loan from a related party	**15,050**	–
Lease liabilities	**3,444**	4,595
Amount due to then directors	**–**	2,774
Loan from then directors	**–**	24,220
Financial assets at amortised cost	**67,922**	75,628

35. COMMITMENTS

As at 31 March 2021, the Group did not have any capital commitments (2020: Nil).

36. SHARE OPTION SCHEME

Shareholders of the Company have approved and adopted a share option scheme (the "Scheme") on 6 July 2015.

A summary of the Scheme is set out as below:

The Scheme became effective for a period of 10 years commencing on 6 July 2015. Under the Scheme, the Directors shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date. The offer of a grant of options may be accepted within seven days from the date of the offer grant.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of the approval of the Scheme.

No options have been granted since the adoption of the share option scheme.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2021.

SUMMARY OF FINANCIAL INFORMATION

RESULTS

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total revenue	**104,601**	99,833	98,175	125,448	137,310
Loss before income tax	**(29,361)**	(7,713)	(7,216)	(23,532)	(28,688)
Income tax credit/(expense)	**(89)**	506	831	(1,384)	(240)
Loss and total comprehensive income for the year	**(29,450)**	(7,207)	(6,385)	(24,916)	(28,928)

ASSETS AND LIABILITIES

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**24,112**	61,179	47,670	71,182	83,691
Total liabilities	**(68,248)**	(75,865)	(55,149)	(69,788)	(59,517)
Net (liabilities)/assets	**(44,136)**	(14,686)	(7,479)	1,394	24,174