



Sang Hing Holdings (International) Limited 生興控股(國際)有限公司

(incorporated in the Cayman Islands with limited liability)
Stock code: 1472



Annual Report
2021

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Wai (*Chairman*)
Mr. Lai Ying Wah
Mr. Lai Ying Keung

Non-executive Director

Mr. Fung Chi Kin

Independent non-executive Directors

Mr. Cheung Wai Kwok Gary
Prof. Leung Yee Tak
Mr. Zhang Senquan
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

AUDIT COMMITTEE

Mr. Zhang Senquan (*Chairman*)
Mr. Cheung Wai Kwok Gary
Prof. Leung Yee Tak
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

REMUNERATION COMMITTEE

Mr. Cheung Wai Kwok Gary (*Chairman*)
Mr. Zhang Senquan
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

NOMINATION COMMITTEE

Mr. Lai Wai (*Chairman*)
Prof. Leung Yee Tak
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

SUSTAINABLE DEVELOPMENT COMMITTEE

Mr. Fung Chi Kin (*Chairman*)
Prof. Leung Yee Tak
Mr. Zhang Senquan
Ms. Tsang Wing Kiu

INVESTMENT COMMITTEE

Mr. Lai Wai (*Chairman*)
(appointed on 14 July 2020)
Mr. Au Chun Wing (appointed on 14 July 2020)
Mr. Shum Tsz Yeung (appointed on 14 July 2020)

COMPANY SECRETARY

Ms. Chang Kam Lai

AUTHORISED REPRESENTATIVES

Mr. Lai Wai
Ms. Chang Kam Lai

COMPLIANCE ADVISER

Cinda International Capital Limited
45/F, Cosco Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 215A-B, 2/F
Central Services Building
Nan Fung Industrial City
No. 18 Tin Hau Road
Tuen Mun, New Territories
Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong law
O Tse & Co.

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Industrial and Commercial Bank of China
(Asia) Limited
Bank of China (Hong Kong) Limited
Shanghai Commercial Bank Ltd.

COMPANY WEBSITE

www.sang-hing.com.hk

STOCK CODE

1472

Financial Highlights

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Decrease %
Revenue	390,229	515,560	24.3
EBITDA	43,748	78,415	44.2
Profit before tax	33,735	59,857	43.6
Profit for the year attributable to owners of the Company	26,424	48,030	45.0
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	2.64	6.32	58.2

EBITDA is defined as profit before finance costs, taxation, depreciation and listing expenses.

Chairman's Statement



Lai Wai
Chairman

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Sang Hing Holdings (International) Limited (the "**Company**"), I am honored to present our annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2021.

The core business of our Group is located in Hong Kong and mainly in civil construction work for over 20 years, the Group is included in the list of Approved Contractors under the works Branch with Group C status (unlimited value) in the public works categories of Roads and Drainage works, also site formation works.

For the year ended 31 March 2021, the Group's revenue was approximately HK\$390.2 million (2020: HK\$515.6 million), representing a decrease of 24.3% as compared with last year. The profit attributable to shareholders for the year ended 31 March 2021 was approximately HK\$26.4 million while the profit for the year ended 31 March 2020 was approximately HK\$48.0 million, representing a decrease of 45.0%, which was mainly due to decrease in revenue from civil engineering works of Projects W49, W52 and W56 and increase in administrative expenses during the year.

Chairman's Statement

Throughout the year of 2020, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group. Meanwhile, in February 2021, the Group gained an upgraded ISO certificate of ISO 45001:2018 under Occupational Health and Safety (OHS) management system. Surly, the Group will strictly comply with all applicable laws and regulations released by the relevant authorities which are material with us continually.

During the year, the Group was awarded a tender for a civil engineering project in relation to village sewerage in Northern Tuen Mun, Hong Kong, with contract sum of approximately HK\$233.0 million in which the contract period is from 21 January 2021 to 20 January 2024.

Looking ahead, the Group will take part in tenders for projects from various government departments more rigorously, especially those from the Civil Engineering and Development Department and Drainage Services Department, in order to secure more revenue from engineering projects. We expect that there will be a large number of infrastructure projects introduced by the government in the northeastern part of New Territories, Hong Kong, especially works within the scope of site formation, roads and drainage. As a result, the Group will proactively participate in tenders to strive for successful bids.

Due to the fierce competition in the market and the increased technical requirements by the clients for bidding projects, it has become difficult and progressively more difficult to successfully win bids for projects. The net proceeds from fund raising will be utilised by the Group to hire additional relevant professional staff to enhance its ability to cope with the bidding for new projects, and at the same time, the Group will also enhance its capital liquidity through various means such as bank financing, so as to enhance the Group's bidding advantages and capabilities and strive for more successful bids for projects.

The Group will capitalise its competitive advantages after listing to secure more projects, and to actively participate in bidding for works of the Hong Kong Government to achieve increase revenue. In additions, we will continue submitting tenders for civil engineering works in order to replenish the revenue from the substantial completed or completed projects. In the meantime, the Group will also explore various chances in construction industry to create greater value for shareholders.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and business partners for their full trust and support in 2021, as well as staff for their efforts and contributions. I hope we can join hands and create a better future together.

Lai Wai
Chairman

Hong Kong, 30 June 2021

Management Discussion and Analysis

BUSINESS REVIEW AND FINANCIAL RESULTS

The Group is an established main contractor with over 20 years of experience specialising in a variety of civil engineering works, including site formation, road and bridge construction, drainage and sewerage construction, watermain installation and slope works in Hong Kong. We are a Group C contractor under the Site Formation and Roads and Drainage categories with confirmed status and are qualified to tender for public works contracts of any values exceeding HK\$400 million.

For the year ended 31 March 2021, the Group's revenue was approximately HK\$390.2 million (2020: HK\$515.6 million), a decrease of 24.3% as compared with last year. The profit attributable to shareholders for the year ended 31 March 2021 was approximately HK\$26.4 million while the profit for the year ended 31 March 2020 was approximately HK\$48.0 million, representing a decrease of 45.0%, which was mainly due to decrease in revenue from civil engineering works of Projects W49, W52 and W56 and increase in administrative expenses during the year.

Analysis of revenue of each project during the year ended 31 March 2021 was as follows:

Project Code	Type of works	Location	2021 HK\$'000	2020 HK\$'000
On-going projects				
W55	Development of columbarium and infrastructural works	North District	91,185	61,570
W56	Land decontamination and advance engineering works	North District	127,363	205,924
W57	Development of Long Valley Nature Park	North District	99,138	31,107
W58	Construction of sewers and sewerage system	Northern Tuen Mun	3,865	–
Projects completed or substantially completed				
W46	Construction of sewage pumping station and associated sewerage	Tuen Mun District	856	–
W48	Construction of cycle tracks	North District and Tuen Mun District	–	261
W49	Construction of sewers and sewerage system	Tuen Mun District	10,307	70,101
W52	Remaining works of cycle tracks	North District and Tuen Mun District	57,273	126,336
W53	Construction of taxiway and connection works	Island District	–	1,826
W54	Temporary construction waste sorting facilities	Sai Kung District and Tuen Mun District	242	18,435
Total revenue			390,229	515,560

During the year ended 31 March 2021, we recognised revenue from 8 projects in total, of which one project was completed. In January 2021, we were awarded a new construction of sewers and sewerage system works project, Project W58, by Drainage Services Department. The revenue for the year ended 31 March 2021 was decreased as compared with last year due to decrease in revenue from Project W49, W52 and W56 in which work progress of Project W49 and W52 was substantially completed during the year and work progress of Project W56 was being at the final stage of works.

Management Discussion and Analysis

The gross profit margin for the year ended 31 March 2021 was 10.1% (2020: 15.0%). Decrease in gross profit margin as compared with last year was due to lower profit margin works and orders performed by Projects W49, W52 and W56.

Other income and net gain for the year ended 31 March 2021 was amounting to approximately HK\$18.4 million (2020: HK\$4.4 million), representing an increase of 316.5% as compared with last year, which was due to increase in government and other subsidies amounting to approximately HK\$11.1 million and net gain on disposal of financial assets at fair value through profit or loss amounting to approximately HK\$5.6 million. During the year, government and other subsidies were mainly received from Employment Support Scheme and net gain on disposal of financial assets at fair value through profit or loss was derived from trading of equity securities listed in Hong Kong.

Administrative and operating expenses for the year ended 31 March 2021 were amounting to approximately HK\$24.0 million (2020: HK\$9.8 million), representing an increase of 144.9% as compared with last year, which was mainly due to increase in staff costs, consultancy fees and other listing related expenses. During the year, increase in staff costs was mainly due to increase in director's remunerations and payment of one-off bonuses to our staff. Increase in consultancy fees was mainly due to increase in fees incurred for technical proposal or/and professional advisory for submission of a number of new tenders during the year.

As at 31 March 2021, prepayments, deposit and other receivables mainly represented amounts paid for insurance and subcontracting fee prepayments, deposits and for material purchases, deposits for rental and utilities, deposits for acquisition of plant and machinery and other receivables. During the year, prepayments, deposits and other receivables increased by HK\$86.1 million which was mainly due to increase in subcontracting fee prepayments and deposits for acquisition of plant and machinery. Since the progress of the Projects W55, W56 and W57 were accelerated from the second quarter of 2020, its related contra charges paid on behalf of the subcontractors and subcontracting fee prepayments were increased in line with the accelerated progress.



Management Discussion and Analysis

OUTLOOK

Looking ahead, the Group will take part in tenders for projects from various government departments more rigorously, especially those from the Civil Engineering and Development Department and Drainage Services Department, in order to secure more revenue from engineering projects. We expect that there will be a large number of infrastructure projects introduced by the government in the northeastern part of New Territories, Hong Kong, especially works within the scope of site formation, roads and drainage. As a result, the Group will proactively participate in tenders to strive for successful bids.

Due to the fierce competition in the market and the increased technical requirements by the clients for bidding projects, it has become difficult and progressively more difficult to successfully win bids for projects. The net proceeds from fund raising will be utilised by the Group to hire additional relevant professional staff to enhance its ability to cope with the bidding for new projects, and at the same time, the Group will also enhance its capital liquidity through various means such as bank financing, so as to enhance the Group's bidding advantages and capabilities and strive for more successful bids for projects.

The Group will capitalise its competitive advantages after listing to secure more projects, and to actively participate in bidding for works of the Hong Kong Government to achieve increase revenue. In additions, we will continue submitting tenders for civil engineering works in order to replenish the revenue from the substantial completed or completed projects. In the meantime, the Group will also explore various chances in construction industry to create greater value for shareholders.



Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The uses of cash of the Group are mainly for the financing of the operations and working capital requirements. The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers.

As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$74.9 million (2020: approximately HK\$172.2 million) and pledged bank deposit of approximately HK\$6.6 million (2020: approximately HK\$8.3 million). The decrease of approximately HK\$97.3 million in cash and cash equivalents was mainly attributable to dividends payment of HK\$10 million, purchases of property, plant and equipment of approximately HK\$21.7 million and increase of prepayments, deposit and other receivables. All of the bank balances were placed with banks in Hong Kong and are denominated in Hong Kong dollars. As at 31 March 2021, the Group had not experienced any liquidity problems in settling its payables in the normal course of business.

There has been no change in the capital structure of the Company during the year ended 31 March 2021. The capital of the Group only comprises of ordinary shares. As at 31 March 2021, the total number of issued ordinary shares of the Company was 1,000,000,000 of HK\$0.01 each.

GEARING RATIO

As at 31 March 2021, the Group's gearing ratio was approximately 0.2% (2020: approximately 0.5%). The gearing ratio is calculated by dividing lease liabilities by total equity and expressed as a percentage. With available bank balances and cash, the directors of the Company are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

TREASURY POLICY

The directors of the Company will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were denominated in Hong Kong dollars. There was no exposure to foreign exchange rate fluctuations. As such, no hedging or other arrangements was made by the Group during the years ended 31 March 2021 and 2020.

SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2021, the Group did not have any significant investments. Save as those disclosed in the prospectus of the Company dated 28 February 2020 (the "Prospectus"), there was no plan for any material investments or other additions of capital assets at the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2021.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 March 2021, the Group pledged its bank deposits of approximately HK\$6.6 million (2020: approximately HK\$8.3 million) as securities for the Group's banking facilities (including letter of credit, bank overdrafts and performance bonds).

CONTINGENT LIABILITIES

As at 31 March 2021 and 2020, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2021 and 2020, the Group did not have any material capital commitments.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2021, the Group had a total of 230 employees (2020: 274) who were directly employed by the Group in Hong Kong. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$86.5 million for the year ended 31 March 2021 (2020: approximately HK\$86.0 million).

The remuneration package the Group offered to the employees includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. Share options are also available to the Group's employees. The Group provides various types of trainings to the employees and sponsor the employees to attend various training courses, including those on occupational health and safety in relation to the works. Such training courses include the internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council. The safety officers also provide training to the workers before commencement of works.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds received by the Company from the placing and public offer of the Company's shares in March 2020 were approximately HK\$79.8 million after deducting the listing expenses of approximately HK\$45.2 million. As at 31 March 2021, the Group has utilised approximately HK\$65.2 million of the net proceeds. The unutilised portion of the net proceeds is placed in licensed banks in Hong Kong and will be utilised as stated in the Prospectus.

Management Discussion and Analysis

As at 31 March 2021, the net proceeds had been utilised as follows:

Intended use of net proceeds as stated in the Prospectus	Net proceeds available <i>HK\$ million</i>	Utilised amount as at 31 March 2021 <i>HK\$ million</i>	Unutilised amount as at 31 March 2021 <i>HK\$ million</i>
Acquisition of additional plant and machinery	58.3	46.8	11.5
Recruitment and retiring additional staff	3.4	1.2	2.2
Costs for upgrading information technology system	2.9	2.0	0.9
Additional working capital	15.2	15.2	–
Total	79.8	65.2	14.6

As disclosed above, the actual application of the net proceeds was slower than expected and such delay was mainly due to (i) the impact of the COVID-19 pandemic, which has caused delays in certain of our ongoing projects; (ii) delay of the projects due to inclement weather; (iii) delay in projects due to clients design changes and/or order in variations; (iv) the difficulty in recruiting suitable candidates; and (v) the delay in upgrading of the Group's information technology system. The balance of the unutilised proceeds is expected to be utilised in the coming two financial years.

Report of the Directors

The directors (the “**Directors**”) of Sang Hing Holdings (International) Limited (the “**Company**”) have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and joint operations are the provision of civil engineering works in Hong Kong. Particulars of the subsidiaries of the Company and the Group’s joint operations are set out in notes 32 and 33 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

FINAL DIVIDEND

The board of Directors (the “**Board**”) did not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: a final dividend of HK\$0.01 per share, amounting to HK\$10 million).

DIVIDEND POLICY

The Company’s dividend policy aims to allow shareholders of the Company to share the Company’s profit and for the Company to retain adequate reserves for future growth. In recommending dividend, the Company would consider various factors including the Group’s financial results; the general financial condition of the Group; the Group’s current and future operations; the level of the Group’s debts to equity ratio, return on equity and the relevant financial covenants; liquidity position and capital requirement of the Group; surplus received from the Company’s subsidiaries; general market conditions; and any other factors that the Board deems appropriate.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders’ eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 3 September 2021 (“**AGM**”), the register of members of the Company will be closed from Tuesday, 31 August 2021 to Friday, 3 September 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 30 August 2021.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Group's business are provided in the section headed "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 6 to 11 of this annual report.

RISKS AND UNCERTAINTIES

There are certain risks involved in the Group's business operations. Some of the relatively material risks include (i) the Group's business operates under various registrations, licences and certifications and the loss of or failure to obtain or renew any or all of these registrations, licences and/or certifications could materially and adversely affect the Group's business; (ii) the Group relies on public sector projects awarded by the government of Hong Kong during the past years; (iii) the Group's business is non-recurring in nature and the Group is subject to the risks associated with competitive tendering process; (iv) the Group relies on subcontractors to help complete the civil engineering works projects, and their performance will affect the Group; (v) error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by the Group; and (vi) an occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse on the business, financial condition and results of operations.

In addition, various financial risks have been disclosed in note 5 to the consolidated financial statements.

AN ANALYSIS USING FINANCIAL KEY PERFORMANCE INDICATORS

An analysis of the Group's performance during the year ended 31 March 2021 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 6 to 11 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and the development of the society. The Group has established a sustainable development committee to identify material environmental, social and governance matters through review and assessment of internal operations, and determine the importance of such matters to the Group's business and the Company's stakeholders. Details of the Group's development, performance and operation in the environmental aspect will be set out in the Environmental, Social and Governance Report ("ESG Report") to be published within 3 months from the publication of this annual report.

Report of the Directors

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Group's employees are one of its most important assets and it is committed to providing them with a fair and safe, healthy and happy work environment that is conducive to personal growth and career development. The Group provides various types of trainings to the employees and sponsors its employees to attend various training courses, including those on occupational health and safety in relation to the works. The remuneration package the Group offered to the employees includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of the employees, which forms the basis of the decisions with respect to salary raises, bonuses and promotions.

The Group has established stable business relationship with its customers who are departments of the government of Hong Kong. Furthermore, The Group has also established stable business relationship with its major suppliers with over one year in general. The Directors believe that the Group's long-term relationship with the customers and major suppliers reflects positively on the Group as a valued working party to their projects.

The Group will engage subcontractors to carry out certain part of the works. While the Group has not entered into any long-term agreement with the subcontractors, it engages them on project basis. Nevertheless, the Directors believe that the Group has maintained good relationship with its key subcontractors.

More information concerning the employees, customers, suppliers and subcontractors of the Group will be set out in the ESG Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. During the year ended 31 March 2021, the Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2021 are set out in the consolidated statement of changes in equity on page 54 and note 28(b) to the consolidated financial statements.

Distributable reserves of the Company as at 31 March 2021, calculated in accordance with the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$96.2 million (2020: HK\$92.3 million).

TAX RELIEF

The Directors are not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed under the heading of "Share Option Scheme" below and in note 29 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

FIXED ASSETS

Details of the movements during the year ended 31 March 2021 in property, plant and equipment and right-of-use assets are set out in notes 16 and 26(a) to the consolidated financial statements, respectively.

SHARES ISSUED

Details of the movements in share capital of the Company during the year are set out in note 28(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

Report of the Directors

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:

Mr. Lai Wai (*Chairman*)

Mr. Lai Ying Wah

Mr. Lai Ying Keung

Non-executive Director:

Mr. Fung Chi Kin

Independent non-executive Directors:

Mr. Cheung Wai Kwok Gary

Prof. Leung Yee Tak

Mr. Zhang Senquan

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

Briefed biographical details of the Directors as at the date of this report are set out in the section headed "Biographical Details of Directors, Senior Management and Company Secretary" of this annual report.

In accordance with Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Lai Ying Wah, Mr. Fung Chi Kin and Mr. Cheung Wai Kwok Gary will retire from office by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming AGM.

Emoluments of the Directors and the five highest paid individuals

Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in notes 12 and 13 to the consolidated financial statements, respectively.

The emoluments of the Directors are subject to review by the remuneration committee of the Company. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below and in note 29 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 17 March 2020 and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

The non-executive Director has entered into a service agreement with the Company for a term of two years commencing from 17 March 2020, which may be terminated by giving at least three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of two years commencing from 17 March 2020, provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

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

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in the section "Continuing Connected Transactions and Related Party Transactions" below and in note 30 to the consolidated financial statements, no other transactions, arrangements and contracts of significance to which the Company's subsidiaries or its parent company was a party and in which a director of the Company and an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Save as disclosed in the section "Continuing Connected Transactions and Related Party Transactions" below, no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their respective subsidiaries during the year ended 31 March 2021.

Report of the Directors

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in the paragraph headed "Share Option Scheme" below, at no time during the year ended 31 March 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares, or debt securities, including debentures, of the Company or any other body corporate.

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

As at 31 March 2021, the interests and short positions of the Directors and chief executive 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 the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Long position in the issued ordinary shares of the Company (the "Shares")

<u>Name of Director</u>	<u>Capacity/ Nature of interest</u>	<u>Number of Shares held</u>	<u>Percentage of shareholding in the Company</u>
Mr. Lai Wai	Interest in a controlled corporation ^(Note 1)	600,000,000	60.0%

Note:

1. Mr. Lai Wai directly holds the entire issued share capital of Worldwide Intelligence Group Limited ("Worldwide Intelligence") and is therefore deemed to be interested in the same number of Shares in which Worldwide Intelligence is interested.

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

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/ Nature of interest</u>	<u>Number of shares held</u>	<u>Percentage of shareholding</u>
Mr. Lai Wai	Worldwide Intelligence	Beneficial owner	1	100%

Report of the Directors

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2021, the following person (other than the Directors or chief executive of the Company the interests of which were disclosed above) or corporation had interest or short position in the Shares which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Long position in the Shares

Name of substantial shareholder	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Worldwide Intelligence	Beneficial owner	600,000,000	60.0%
Ms. Dun Xin Chun <i>(Note 1)</i>	Interest of spouse	600,000,000	60.0%

Note:

- Ms. Dun Xin Chun is cohabiting with Mr. Lai Wai as spouse. By virtue of the SFO, Ms. Dun Xin Chun is deemed, or taken to be, interested in all the Shares in which Mr. Lai Wai is deemed to be interested.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any person (other than the Directors and the chief executive of the Company) who has an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange 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 pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

On 29 January 2020, the then shareholders of the Company approved and conditionally adopted a share option scheme (the "Share Option Scheme").

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and there was no share option outstanding as at 31 March 2021.

Report of the Directors

The following is a summary of the principal terms of the Share Option Scheme.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions by Proposed Grantee (as defined in sub-paragraph (b) below) to the Company and the subsidiaries or invested entity and associated companies of the Company. By providing them with the opportunity to acquire equity interests in the Company, the Share Option Scheme aims to achieve the following objectives:

- (i) attract skilled and experienced personnel, to incentivise them to remain with the Company or its subsidiaries or any entity in which any member of the Group holds any equity interest ("**invested entity**") (as the case may be) and to give effect to the Company's customer-focused corporate culture, and to motivate them to think as shareholders of the Company and strive for the future development and expansion of the Company and its subsidiaries or invested entity; and
- (ii) attract and retain or otherwise maintain ongoing business relationships with suppliers and customers whose contributions are or will be beneficial to the long-term growth of the Company.

(b) Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to the following persons (collectively, "**Proposed Grantee**"):

- (i) employee (whether full time or part time, and for the purposes of the Share Option Scheme also includes any executive Director and non-executive Directors (including independent non-executive Director) of the Company or any of its subsidiaries or invested entity (collectively, "**Employee**");
- (ii) any advisor, consultant, supplier, customer or agent to the Company or any of its subsidiaries or invested entity provided that (i) such advisor, consultant, supplier, customer or agent provides bona fide services to or conduct business with the Company or any of its subsidiaries or invested entity, (ii) the services provided by or business with the advisor, consultant, supplier, customer or agent are not in connection with the offer or sale of securities in a capital-raising transaction of the Company and (iii) such advisor, consultant, supplier, customer or agent, or the services provided or the business conducted, do not directly or indirectly make a market for the Company's securities (collectively, "**third party contributor**"),

provided that no prospectus is required to be issued in connection with such grant under the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any other applicable laws. The Board may in its absolute discretion specify such conditions (if any) as it thinks fit when making such offer to the Proposed Grantee, including, without limitation and notwithstanding sub-paragraph (i), as to performance criteria to be satisfied by the Proposed Grantee and/or the Company before an option can be exercised.

Report of the Directors

(c) Maximum number of Shares available for issue

No share option has been granted under the Share Option Scheme as at the date of this annual report.

The total number of Shares available for issue under the Share Option Scheme is 100,000,000, representing approximately 10% of the Company's total number of issued shares as at the date of this annual report. The Company has 1,000,000,000 shares in issue as at the date of this annual report.

(d) Maximum entitlement of each individual and connected persons

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of this 1% limit will be subject to the approval of the shareholders of the Company in general meeting.

The independent non-executive Directors (excluding any independent non-executive Director who is a Proposed Grantee of the option(s)) will be required to approve each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates. If a grant of options to a substantial shareholder of the Company or an independent non-executive Director, or their respective associates, will result in the total number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the issued share capital of the Company from time to time; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK\$5 million,

such further grant of options will be required to be approved by the shareholders of the Company in general meeting.

(e) Acceptance of an offer of options

An offer shall be accepted by the Proposed Grantee within 30 days from the date of the offer of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

(f) Exercise price

The exercise price in respect of any option shall be such price as determined by the Board and notified to any Grantee (subject to any adjustment made in accordance with the Share Option Scheme) and shall be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for a board lot on the option offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for a board lot for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

Report of the Directors

(g) Time of vesting and exercise of options

Subject to sub-paragraph (b), and unless otherwise determined by the Board and stated in the offer to a Proposed Grantee, no performance criteria are to be satisfied by a Proposed Grantee and/or the Company before the exercise of an option granted to him.

A Proposed Grantee may exercise his option in whole or in part (but, if in part, only in respect of a board lot or any integral multiple thereof) by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares to be subscribed. Each such notice must be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance, the Company will allot and issue the relevant Shares to the Proposed Grantee credited as fully paid and issue to the Proposed Grantee a share certificate in respect of the Shares so allotted.

Subject to any early vesting of options pursuant to Share Option Scheme, all options granted under the Share Option Scheme will be subject to a vesting period of up to ten years to be determined with respect to each Proposed Grantee by the Board at the time of grant of the relevant option and stated in the offer to a Proposed Grantee. In the absence of such requirements, a Proposed Grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme shall remain in force until 17 March 2030.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of significant related party transactions entered by the Group in the normal course of business during the year ended 31 March 2021 are set out in note 30 to the consolidated financial statements.

An indirect wholly-owned subsidiary of the Company as the tenant entered into a tenancy agreement (the “**Tenancy Agreement**”) with Mr. Lai Wai, the executive Director and the controlling shareholder of the Company, as the landlord on 1 April 2019 in respect of the tenancy of office premises.

The aggregate rental paid by the Group pursuant to the Tenancy Agreement for the year ended 31 March 2021 amounted to HK\$180,000.

As Mr. Lai Wai is the controlling shareholder of the Company and a connected person of the Company, the Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios for the transaction under the Tenancy Agreement is less than 0.1%, such transaction constitutes *de minimis* transaction under Rule 14A.76(1)(a) of the Listing Rules and as such, was fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2021, the Group's customers were departments of the government of Hong Kong, namely Civil Engineering and Development Department ("**CEDD**") and The Drainage Services Department. For the year ended 31 March 2021, the two customers of the Group accounted for 100% (2020: 100%) of the total revenue of the Group while the largest customer, namely CEDD, accounted for approximately 96.4% (2020: 86.1%) of the total revenue of the Group.

The suppliers principally included the suppliers of construction materials and subcontractors. For the year ended 31 March 2021, the five largest suppliers of the Group accounted for approximately 59.7% (2020: 70.5%) of the total purchases of the Group while the largest supplier accounted for approximately 37.7% (2020: 41.0%) of the total purchases of the Group.

To the best of the knowledge of the Directors, none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float of at least 25% of the Company's issued shares.

RETIREMENT BENEFIT SCHEMES

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

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 25 to 36 of this annual report.

Report of the Directors

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the year.

The Company has received annual confirmations from the controlling shareholders, Mr. Lai Wai and Worldwide Intelligence, in respect of their compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that Mr. Lai Wai and Worldwide Intelligence have complied with the non-competition undertaking during the year ended 31 March 2021.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 34 to the consolidated financial statements.

AUDITOR

The consolidated financial statements have been audited by HLB Hodgson Impey Cheng Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

Lai Ying Keung

Executive Director

Hong Kong, 30 June 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Sang Hing Holdings (International) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company has adopted various measures to ensure the high standard of corporate governance is maintained.

Throughout the year ended 31 March 2021, the Company has complied with the code provisions of the CG Code except for the deviations from code provisions A.6.7 and C.1.2 which are explained in the paragraph headed “Board and general meetings” below.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company’s securities.

The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the Model Code during the year ended 31 March 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the year ended 31 March 2021.

BOARD OF DIRECTORS

The Board currently consists of nine Directors, comprising three executive Directors, one non-executive Director and five independent non-executive Directors.

Executive Directors:

Mr. Lai Wai (*Chairman*)
Mr. Lai Ying Wah
Mr. Lai Ying Keung

Non-executive Director:

Mr. Fung Chi Kin

Independent non-executive Directors:

Mr. Cheung Wai Kwok Gary
Prof. Leung Yee Tak
Mr. Zhang Senquan
Mr. Ho Tai Tung
Ms. Tsang Wing Kiu

Corporate Governance Report

To the best knowledge of the Board, other than Mr. Lai Wai, Mr. Lai Ying Wah and Mr. Lai Ying Keung are brothers, there is no financial, business, family or other material or relevant relationship between the members of the Board. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Senior Management and Company Secretary" in this annual report.

The main functions of the Board include approving of the overall business plans and strategies, monitoring the implementation of such plans and strategies and the management of the Group. The Board acts collectively by majority decisions in accordance with the articles of association of the Company (the "**Articles of Association**") and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board. The management shall provide members of the Board and committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Group and to better facilitate the discharge of their duties. The management team is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the day-to-day operation of the Group.

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code, which are summarised as follows:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct applicable to the Directors and employees; and
- (e) to review the Company's compliance with the CG Code and disclosures in the corporate governance report.

Chairman and chief executive

The roles of chairman and chief executive officer of the Company are held separately by Mr. Lai Wai and Mr. Au Chun Wing, respectively.

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Group's business.

The separation of duties of the chairman and chief executive officer of the Company ensures a clear distinction between the chairman's responsibility for running the Board and the chief executive officer's responsibility for running the Group's business.

Corporate Governance Report

Independent non-executive Directors

The Company has five independent non-executive Directors who comprise more than one-third of the Board. Two independent non-executive Directors possess professional accounting qualifications.

The Company has received an annual confirmation from each of the independent non-executive Directors confirming independence under Rule 3.13 of the Listing Rules. The nomination committee of the Company (the "**Nomination Committee**") has assessed the independence of each of the independent non-executive Directors and the Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent in accordance with terms of the guidelines.

Appointment and re-election of Directors

All executive Directors are appointed for a specific term of three years. All non-executive Directors (including the independent non-executive Directors) are appointed for a specific term of two years.

Under the Articles of Association, every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years at the Company's annual general meeting. Any Director appointed by the Board is subject to re-election by shareholders of the Company at the next general meeting of the Company following his or her appointment. Directors who are subject to retirement and re-election at the forthcoming annual general meeting are set out in "Report of the Directors" in this annual report.

Nomination policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders of the Company for election as Directors at general meetings or appoint as Directors to fill casual vacancies. In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including, educational background, professional experience, skills, knowledge, personal qualities and the benefit of diversity as set out under the Board Diversity Policy. The Nomination Committee would also take into account whether the candidate can demonstrate his/her commitment, competence and integrity required for the position, and in case of independent non-executive Directors, the independence requirements under the Listing Rules and their time commitment to the Company. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Corporate Governance Report

Board diversity policy

The Board has adopted a board diversity policy on 29 January 2020 which sets out the approach by which the Board could achieve a higher level of diversity. In summary, such policy sets out that when considering the nomination and appointment of a director, with the assistance of the Nomination Committee, the Board would consider a number of factors, including but not limited to the age, gender, skills, length of service, professional experience and qualifications, cultural and educational background of the prospective candidate. The ultimate decision of the appointment will be based on merit and the contribution which the prospective candidate would bring to the Board. All Board appointments will be considered against objective criteria, having due regard to the benefits of diversity on the Board in order to best serve the shareholders and other stakeholders going forward. As gender diversity is one of the objectives of the board diversity policy, while as at the date of this report, the majority of the Board is comprised of male directors, to implement the board diversity policy, the Nomination Committee will review the composition of the Board and actively identify suitable female candidates in its annual review. The Company will endeavour to appoint female directors in the market should the Nomination Committee find suitable candidates after considering their backgrounds and experience.

The Board comprises of nine members, including three executive Directors, one non-executive Director and five independent non-executive Directors. The Directors obtained degrees in various majors including business administration, international business management, economics, science and mechanical engineering. All the executive Directors possess extensive experience in management and civil engineering industry. Mr. Fung Chi Kin, the non-executive Director has over 18 years of experience in banking and finance. The independent non-executive Directors possess extensive knowledge and experience in finance and banking, civil engineering as well as accounting and auditing. Prof. Leung Yee Tak, one of the independent non-executive Directors, has over 41 years of tertiary level teaching experience in civil engineering field. Mr. Zhang Senquan and Ms. Tsang Wing Kiu, both are the independent non-executive Directors, have over 13 years and 23 years of experience in accounting, finance and auditing, respectively. Furthermore, the Board has a wide range of age, ranging from 44 years old to 72 years old. Taking into account the existing needs of the Company, the combination of the Board would bring about the necessary balance of skills and experience appropriate for the requirements of the business development of the Company.

The Nomination Committee will monitor the implementation of the board diversity policy from time to time to ensure its continual effectiveness.

Corporate Governance Report

Board and general meetings

During the year ended 31 March 2021, the Board held five meetings and the Company held one general meeting, being the annual general meeting of the Company held on 4 September 2020. The attendance of each Director at the Board meetings and at the general meeting is set out below:

Name of Director	Attendance/ Number of Board meetings held	Attendance/ Number of general meeting held
Executive Directors		
Mr. Lai Wai (<i>Chairman</i>)	5/5	1/1
Mr. Lai Ying Wah	5/5	1/1
Mr. Lai Ying Keung	5/5	1/1
Non-executive Director		
Mr. Fung Chi Kin	5/5	1/1
Independent non-executive Directors		
Mr. Cheung Wai Kwok Gary	4/5	1/1
Prof. Leung Yee Tak	5/5	1/1
Mr. Zhang Senquan	5/5	0/1
Mr. Ho Tai Tung	5/5	1/1
Ms. Tsang Wing Kiu	5/5	1/1

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the shareholders. Mr. Zhang Senquan, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 4 September 2020 due to sickness. Other non-executive Director and independent non-executive Directors had attended the annual general meeting to ensure effective communication with the shareholders of the Company.

Under code provision C.1.2 of the CG Code, the management should provide all members of the Board with monthly updates giving balanced and understandable assessment of the Company's performance, position and prospects in sufficient details. During the year ended 31 March 2021, the management of the Company provided to the Board interim updates with consolidated financial statement of the Company's performance, position and prospects in sufficient details during regular Board meetings of the Company. In addition, the management has provided all members of the Board updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board.

Corporate Governance Report

Training, induction and continuing development of Directors

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. The company secretary of the Company continuously provides updates to Directors on the latest developments regarding Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. The external auditor has also provided briefing on changes or amendments to accounting standards at the audit committee meeting. Continuing briefings and professional development to Directors will be arranged whenever necessary. Details of the continuous professional development participated by the Directors are set out below:

Name of Director	Attending training courses/ briefing/seminars	Reading materials relevant to the duties of Directors
Executive Directors		
Mr. Lai Wai (<i>Chairman</i>)	✓	✓
Mr. Lai Ying Wah	✓	✓
Mr. Lai Ying Keung	✓	✓
Non-executive Director		
Mr. Fung Chi Kin	✓	✓
Independent non-executive Directors		
Mr. Cheung Wai Kwok Gary	✓	✓
Prof. Leung Yee Tak	✓	✓
Mr. Zhang Senquan	✓	✓
Mr. Ho Tai Tung	✓	✓
Ms. Tsang Wing Kiu	✓	✓

BOARD COMMITTEES

The Board has established five board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee, Sustainable Development Committee and Investment Committee to assist it in carrying out its responsibilities.

Each of the Board Committees has defined duties and responsibilities set out in their respective terms of reference. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Corporate Governance Report

Audit Committee

The Audit Committee consists of five members, namely, Mr. Cheung Wai Kwok Gary, Prof. Leung Yee Tak, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Zhang Senquan is the chairman of the Audit Committee. The Board is satisfied that the Audit Committee members collectively possess adequate financial experience to properly perform its duties and responsibilities. Mr. Zhang Senquan and Ms. Tsang Wing Kiu hold professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in their biographies in "Biographical Details of Directors, Senior Management and Company Secretary" in this annual report.

The primary duties of the Audit Committee are (a) to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (c) to oversee the Company's financial reporting, risk management and internal control systems and (d) to monitor continuing connected transactions (if any).

During the year ended 31 March 2021, three Audit Committee meetings were held (i) to discuss with the Company's external auditor the audit plan and approve the fee for annual audit for the year ended 31 March 2020 and recommend the re-appointment of the Company's external auditor; (ii) to review the Company's external auditor's independence and its report; (iii) to review the audited consolidated financial statements for the year ended 31 March 2020 and the unaudited consolidated financial statements for the six months ended 30 September 2020; and (iv) to review the effectiveness of the Company's risk management and internal control systems. The attendance of each member at the meetings is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Zhang Senquan (<i>Chairman</i>)	3/3
Mr. Cheung Wai Kwok Gary	3/3
Prof. Leung Yee Tak	3/3
Mr. Ho Tai Tung	3/3
Ms. Tsang Wing Kiu	3/3

Remuneration Committee

The Remuneration Committee consists of four members, namely, Mr. Cheung Wai Kwok Gary, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Cheung Wai Kwok Gary is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review other remuneration-related matters, including benefits-in-kind and other compensation payable to the Directors and senior management, and review performance-based remunerations.

Corporate Governance Report

During the year ended 31 March 2021, one Remuneration Committee meeting was held to review the remuneration policy for the Directors and senior management. The attendance of each member at the meeting is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Cheung Wai Kwok Gary (<i>Chairman</i>)	1/1
Mr. Zhang Senquan	1/1
Mr. Ho Tai Tung	1/1
Ms. Tsang Wing Kiu	1/1

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

Remuneration band	Number of individuals
HK\$nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	2

Details of the emoluments of the Directors for the year ended 31 March 2021 are set out in note 12 to the consolidated financial statements in this annual report.

Nomination Committee

The Nomination Committee consists of four members, namely, Mr. Lai Wai (executive Director), Prof. Leung Yee Tak, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Lai Wai is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

Corporate Governance Report

During the year ended 31 March 2021, one Nomination Committee meeting was held to review the structure, size and composition of the existing Board, assess the independence of the independent non-executive Directors and make recommendations to the Board for putting forward Directors, who were subject to retirement, for re-appointment at the forthcoming annual general meeting. The attendance of each member at the meeting is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Lai Wai (<i>Chairman</i>)	1/1
Prof. Leung Yee Tak	1/1
Mr. Ho Tai Tung	1/1
Ms. Tsang Wing Kiu	1/1

Sustainable Development Committee

The Sustainable Development Committee consists of four members, namely, Mr. Fung Chi Kin (non-executive Director), Prof. Leung Yee Tak, Mr. Zhang Senquan and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Fung Chi Kin is the chairman of the Sustainable Development Committee.

The primary duties of the Sustainable Development Committee are to identify material environmental, social and governance matters through review and assessment of internal operations, and determine the importance of such matters to the Group's business and the Company's stakeholders.

During the year ended 31 March 2021, one Sustainable Development Committee meeting was held to review the environmental, social and governance report. The attendance of each member at the meeting is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Fung Chi Kin (<i>Chairman</i>)	1/1
Prof. Leung Yee Tak	1/1
Mr. Zhang Senquan	1/1
Ms. Tsang Wing Kiu	1/1

Investment Committee

The Investment Committee has been established by the Board on 14 July 2020 and consists of three members, namely Mr. Lai Wai (executive Director), Mr. Au Chun Wing (the chief executive officer of the Company) and Mr. Shum Tsz Yeung (the chief financial officer of the Company). Mr. Lai Wai is the chairman of the Investment Committee.

Corporate Governance Report

The primary duties of the Investment Committee are to handle any issues or affairs related to the investment aspects of the Company, review the investment performance from time to time and advise the Board on how the Company's funds are to be used to enhance the Group's investment returns, and preserve the value of the Company's funds and/or achieving capital appreciation.

During the year ended 31 March 2021, two Investment Committee meetings were held to review the investment performance. The attendance of each member at the meetings is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Lai Wai (<i>Chairman</i>)	2/2
Mr. Au Chun Wing	2/2
Mr. Shum Tsz Yeung	2/2

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group. In preparing the financial statements for the year ended 31 March 2021, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgements and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditors' Report" of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 March 2021, the fees paid/payable by the Group to HLB Hodgson Impey Cheng Limited for their audit and non-audit services are analysed below:

Services rendered	Fees paid/ payable HK\$'000
Audit services – audit fee for the year ended 31 March 2021	1,200
Non-audit services (interim review service)	250

RISK MANAGEMENT AND INTERNAL CONTROL

The management identified and evaluated the significant risks relevant to the Group based on their experience in the business environment. They regularly met with frontline employees and continuously monitored business performance comparing to operational plan and financial forecasts. The risk management and internal control systems are in place to cope with potential risk in different areas including liquidity, fraud and financial reporting, operational and compliance risks.

Corporate Governance Report

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. Nevertheless, the Company engaged an independent consultancy firm (the "**Adviser**") to conduct review of the effectiveness of the risk management and internal control systems of the Group. The Adviser has reported findings and areas for improvement to the management and Audit Committee, which then reviewed and reported the same to the Board. The Board and Audit Committee are of the view that there are no material internal control defeats noted. The Board considered that the risk management and internal audit control system are effective and adequate.

Inside information policy

The Company adopted a policy and procedure on disclosure of inside information (the "**Inside Information Policy**") setting out the Group's procedure in handling such information to ensure its equal and timely dissemination to comply with the requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules. The designated departments monitor the Inside Information Policy and assess the nature and materiality of relevant information and determine appropriate actions. The Group will provide appropriate training to officers and employees likely to be in possession of inside information.

COMPANY SECRETARY

The company secretary of the Company is Ms. Chang Kam Lai ("**Ms. Chang**"). Ms. Chang is a fellow of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. During the year ended 31 March 2021, Ms. Chang undertook no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures to convene an extraordinary general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may request the Board to convene an extraordinary general meeting pursuant to the article 58 of the Articles of Association. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s) and deposited at the principal place of business of the Company in Hong Kong (presently at Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong) for the attention of the Board or the company secretary of the Company. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a meeting, but such meeting shall be held within two months after the deposit of requisition.

Corporate Governance Report

Procedures by which enquiries may be put to the Board

Shareholders should direct their enquiries about their shareholdings to 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.

Other shareholders' enquiries can be directed in writing with contact details (including name, address, telephone number and email address) to the principal place of business of the Company in Hong Kong, presently at Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong or by email to info@sang-hing.com.hk.

Procedures for putting forward proposals at a general meeting

Proposals shall be directed in writing with contact details (including name, address, telephone number and email address) to the Company's principal place of business in Hong Kong.

The Board will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The general meetings of the Company provide a platform for communication between the Board and the shareholders. The chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Sustainable Development Committee or in their absence, other members of the respective committees, are available to answer questions at shareholders' meeting.

The Company maintains a website at www.sang-hing.com.hk where up-to-date information and updates on the Company's business operations and development, financial information and other information are available for public access.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2021, there was no change to the Company's constitutional documents. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

Hong Kong, 30 June 2021

Biographical Details of Directors, Senior Management and Company Secretary

DIRECTORS

Executive Directors

Mr. Lai Wai (賴偉) ("Mr. Lai"), aged 69, is an executive Director and the chairman of the Board. He is also the chairman of the nomination committee of the Company and a director of all subsidiaries of the Company. He was appointed as the chairman of the investment committee of the Company on 14 July 2020. He joined the Group in August 1990 and has over 29 years of experience in the civil engineering works industry. He is primarily responsible for the overall corporate strategies, management and business development of the Group.

Mr. Lai is the brother of Mr. YW Lai and Mr. YK Lai, both are the executive Directors. He is also a director of Worldwide Intelligence Group Limited, a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Lai Ying Wah (賴英華) ("Mr. YW Lai"), aged 63, is an executive Director. He is also a director of all subsidiaries of the Company. He joined the Group in February 1991 and has over 29 years of experience in the civil engineering works industry. He is primarily responsible for the business development, day-to-day operations of site formation projects, and management of plant and machinery of the Group.

Mr. YW Lai is the brother of Mr. Lai and Mr. YK Lai, both are the executive Directors.

Mr. Lai Ying Keung (賴應強) ("Mr. YK Lai"), aged 60, is an executive Director. He is also a director of all subsidiaries of the Company. He joined the Group in March 2004 and has over 16 years of experience in the civil engineering works industry. He is primarily responsible for the business development, day-to-day operations of road and drainage works projects, and the overall project management of the Group.

Mr. YK Lai is the brother of Mr. Lai and Mr. YW Lai, both are the executive Directors.

Biographical Details of Directors, Senior Management and Company Secretary

Non-executive Director

Mr. Fung Chi Kin (馮志堅) (“Mr. Fung”), aged 72, was appointed as a non-executive Director on 11 July 2018. He is also the chairman of the sustainable development committee of the Company.

Mr. Fung has over 18 years of experience in banking and finance. He was appointed as deputy general manager of Po Sang Bank Limited from June 1985 to December 1994, and director of the board in March 1986. Po Sang Bank Limited was later merged into the Bank of China Group in Hong Kong as part of the restructuring exercise of the Bank of China Group and changed its name into Bank of China (Hong Kong) Limited in 2001. Mr. Fung continued to act as a director of Bank of China (Hong Kong) Limited until October 2001. He served as the vice chairman of the board and general manager of BOCI Securities Limited (formerly known as Bank of China Group Securities Limited) since January 1995, the vice general manager and director of BOCI Asia Limited and the general manager and director of BOCI Commodities & Futures Limited since October 1998 to his retirement in April 2003, upon which he was appointed as a senior consultant of BOC International Holdings Limited.

Mr. Fung was a vice chairman of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) from December 1993 to December 1995, and from December 1996 to December 1997. He was elected as a council member of the First Legislative Council of Hong Kong from October 1998 to July 2000. He was elected as a president (理事長) of The Chinese Gold & Silver Exchange Society in July 2000, and he was subsequently re-elected as a president (理事長) in July 2002. He has been serving as an honorary permanent president (永遠名譽會長) of The Chinese Gold & Silver Exchange Society since July 2004. He was certified as a senior fellow of the Asian College of Knowledge Management in April 2015.

Mr. Fung has been serving as an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited, the shares of which are listed on the Stock Exchange (Stock code: 0682), since September 2003; an executive director of Loco Hong Kong Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 8162), since June 2019; and an independent non-executive director of Poly Property Group Co., Limited, the shares of which are listed on the Stock Exchange (Stock code: 119), since May 2021. He was appointed as the executive director and compliance officer of China Trustful Group Limited (formerly known as Powerwell Pacific Holdings Limited), the shares of which are listed on the Stock Exchange (Stock code: 8265), from September 2014 to May 2017 and from March 2019 to October 2019. Mr. Fung served as an independent non-executive director of China Overseas Nuoxin International Holdings Limited (formerly known as Kenford Group Holding Limited), the shares of which are listed on the Stock Exchange (Stock code: 0464) from August 2017 to April 2019; and an independent non-executive director of Geotech Holdings Ltd., the shares of which are listed on the Stock Exchange (Stock code: 1707) from September 2017 to August 2020.

Biographical Details of Directors, Senior Management and Company Secretary

Independent non-executive Directors

Mr. Cheung Wai Kwok Gary (張為國) ("Mr. Cheung"), aged 68, was appointed as an independent non-executive Director on 29 January 2020. He is also the chairman of the remuneration committee of the Company and a member of the audit committee of the Company.

Mr. Cheung has over 39 years of experience in the financial services industry. He was the executive director of Sun Hung Kai & Co. Limited, the chief executive of the Hong Kong Securities Institute, managing director of South China Financial Holdings Limited, chief executive officer (公司總裁) of Tung Shing Securities (Brokers) Limited (currently known as Sinopac Securities (Asia) Limited), the chief executive officer (公司總裁) of Investport (H.K.) Limited, the responsible officer of YF Securities Company Limited, YF Futures Company Limited and YF Asset Management Limited, the chief executive officer of Blackwell Global Investments (HK) Limited. He also served as a committee member of the banking and finance training board of the Vocational Training Council of Hong Kong from April 2017 to March 2019.

Mr. Cheung has been acting as the chief executive officer of OnePlatform Securities Limited (formerly known as CSL Securities Limited) since April 2018. He is currently the responsible officer of Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Commission of Hong Kong ("SFC") of OnePlatform Securities Limited since June 2018. He had also been a responsible officer of SFC Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities of various companies since September 2009.

Mr. Cheung was the vice chairman of the board of directors of the Hong Kong Securities Association Limited for the years of 2011 to 2015. He was subsequently elected as chairman of the board of directors of the Hong Kong Securities Association Limited in November 2017 and subsequently became the permanent honorary president in September 2019. He has been a member of the Steering Committee of the Asian Financial Forum 2018, the chief supervisor (監事會主席) of East Asia Securities Qianhai Securities Limited (東亞前海證券有限責任公司) since October 2017, a board director of the Financial Dispute Resolution Centre since March 2018, a panel member of the Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal in Hong Kong since April 2018 and a senior fellow of the Hong Kong Securities and Investment Institute since September 2014.

Since May 2020, Mr. Cheung is an independent non-executive director of Veson Holdings Limited (formerly known as SCUD Group Limited), the shares of which are listed on the Stock Exchange (Stock code: 1399). Mr. Cheung received a bachelor's degree of arts in business administration from York University in Canada in June 1978. Mr. Cheung received a bachelor's degree of arts (honours) in economics from York University in Canada in June 1979.

Biographical Details of Directors, Senior Management and Company Secretary

Prof. Leung Yee Tak (梁以德) (“Professor Leung”), aged 72, was appointed as an independent non-executive Director on 29 January 2020. He is also a member of the audit committee, nomination committee and sustainable development committee of the Company.

Professor Leung has over 41 years of tertiary level teaching experience in the civil engineering field. Professor Leung had been appointed as lecturer, senior lecturer, reader (professor) of the Department of Civil Engineering of the University of Hong Kong from September 1978 to February 1997. He served as a professor of engineering at the University of Manchester in the United Kingdom from February 1997 to June 2007. During his tenure with the University of Manchester, Professor Leung also acted as the head of building and construction of City University of Hong Kong from September 1999 to June 2005. Professor Leung acted as the chair of sustainable construction of City University of Hong Kong from July 2005 to June 2014. He is currently serving as an emeritus professor at City University of Hong Kong since June 2016.

Professor Leung worked as a structural engineer of Ove Arup and Partners London in the United Kingdom from August 1982 to September 1983. He was registered as a European Chartered Engineer in October 1979. He was elected as a member and a fellow of The Royal Aeronautical Society in the United Kingdom in September 1979 and May 1990, respectively. He was admitted as a member and a fellow of the Hong Kong Institution of Engineers in June 1985 and March 2008, respectively. He was elected as an active member of The New York Academy of Sciences in November 1994. He was elected a member of the Institution of Structural Engineers in March 1997. He was appointed as a senior advisor on construction of Benxi City People’s Government of Liaoning Province in China (遼寧省本溪市人民政府城市建設高級顧問) in September 2001. He was elected as a fellow of the Royal Institution of Chartered Surveyors in February 2006. He was appointed as a member of the Hong Kong Research Grants Council from July 2008 to June 2010. He was also admitted as a fellow of the Chartered Institute of Building in July 2013. He was elected as a council member and a fellow of the Hong Kong Institution of Certified Auditors in July 2015 and April 2018, respectively. He was appointed as an honorary advisor of the Institute of Safety and Health Practitioners from July 2015 to June 2016. He served as an independent non-executive director of Prosper Construction Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 6816), from June 2016 to October 2018.

Professor Leung obtained a master’s degree in science in December 1972 and a doctoral degree of philosophy in mechanical engineering in July 1976 from Aston University (formerly known as the University of Aston in Birmingham) in the United Kingdom. He also obtained a doctoral degree in science from Aston University in the United Kingdom in July 1995.

Biographical Details of Directors, Senior Management and Company Secretary

Mr. Zhang Senquan (張森泉) (“Mr. Zhang”), formerly known as Zhang Min (張敏), aged 44, was appointed as an independent non-executive Director on 29 January 2020. He is also the chairman of the audit committee and a member of the remuneration committee and sustainable development committee of the Company.

He has over 13 years of professional experience in accounting and auditing. He worked at Deloitte Touche Tohmatsu, KPMG Huazhen and Ernst & Young Hua Ming serving several positions from audit staff to audit partner from October 1999 to November 2012. He is a member of the Chinese Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Mr. Zhang is currently an independent non-executive director of Jiande International Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 0865), since October 2016; an independent non-executive director of Natural Food International Holding Limited, the shares of which are listed on the Stock Exchange (Stock code: 1837), since November 2018; and an independent non-executive director of Strawbear Entertainment Group, the shares of which are listed on the Stock Exchange (Stock code: 2125), since December 2020.

Mr. Zhang was previously appointed as an independent non-executive director of Beijing Digital Telecom Co., Ltd., the shares of which are listed on the Stock Exchange (Stock code: 6188), from June 2018 to June 2021; an independent non-executive director of Bonny International Holding Limited, the shares of which are listed on the Stock Exchange (Stock code: 1906), from March 2019 to June 2020; an independent non-executive director of Casablanca Group Limited, the shares of which are listed on the Stock Exchange (Stock code: 2223), from April 2015 to April 2018; and an independent director of Top Choice Medical Investment Co., Inc.* (通策醫療投資股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600763SH), from December 2014 to March 2017. He was appointed as the head of strategic development department of Goodbaby International Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 1086), from March 2013 to April 2014. He was also appointed as joint company secretary and chief financial officer of Huazhong In-Vehicle Holdings Company Limited, the shares of which are listed on the Stock Exchange (Stock code: 6830), from May 2014 to July 2015. He was the managing director of Southwest Securities (HK) Brokerage Limited, a subsidiary of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (Stock code: 0812), from February 2016 to March 2020.

Currently, Mr. Zhang is the chief executive officer of Zhong Rui Capital (Hong Kong) Limited since May 2018 and an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. * (江蘇艾迪藥業股份有限公司) since May 2019.

Mr. Zhang obtained a bachelor’s degree in economics from Fudan University in China in July 1999.

* *English translated name is for identification purpose only*

Biographical Details of Directors, Senior Management and Company Secretary

Mr. Ho Tai Tung (何大東) (“Mr. Ho”), aged 67, was appointed as an independent non-executive Director on 29 January 2020. He is also a member of the audit committee, remuneration committee and nomination committee of the Company.

Mr. Ho has over 40 years of experience in the banking industry, in fields of syndicated loans, corporate financing, non-performing asset management, credit risk management, retail banking, customer relationship management and Chinese-foreign cross-border financing. Mr. Ho served as an officer in a number of branches of Sun Hung Kai Bank Limited from January 1982 to February 1984 and his last position was officer-in-charge in its Wanchai Branch. He served as assistant manager, assistant vice president of the credit administration department and vice president as head of the special assets department at Security Pacific Asian Bank from February 1984 to April 1991. He was appointed as an assistant manager and subsequently an account relationship manager in the credit management department of Standard Chartered Bank from April 1991 to April 1992. He was employed as a manager of commercial banking of Kowloon East Region of Asia Commercial Bank from May 1994 to June 1995. He worked as a relationship manager in trade product marketing of the corporate banking group of Standard Chartered Bank from July 1995 to April 1996. He was employed by Asia Commercial Bank from May 1996 to April 1999. He was employed by United Overseas Bank from November 1999 to May 2003 and his last position was vice president and head of marketing in the credit and marketing department. He served as a senior manager of business development of the Pearl River Delta at Standard Chartered Bank from June 2003 to May 2004. He served as a branch manager of Wing Hang Bank from May 2004 and retired at Shau Kei Wan branch in April 2014. He was a founding director of the Greater China Financial Professionals Association in February 2015, and was subsequently reappointed as its director in 2016.

Mr. Ho was previously elected as a committee member of the Association of Shenzhen Foreign Financial Institutions for the years of 1998 and 1999.

Mr. Ho graduated with a master’s degree of arts in comparative and public history at the Chinese University of Hong Kong in November 2016. He obtained a master’s degree of arts in international business management and a master’s degree in business administration from City University of Hong Kong in November 2000 and November 2001, respectively. During his pursuit of the master’s degree in business administration in City University of Hong Kong, he completed a corporate diagnosis (企業診斷) at Binjiang Commercial Building Limited of Tianjin Binjiang Corporation (天津濱江集團濱江商廈有限公司) in August 2001. He also completed a higher certificate course of Chinese commercial law (中國營商法律高等證書課程) jointly organised by the Hong Kong Trade Development Council and Hong Kong Institute of Asia-Pacific Studies of The Chinese University of Hong Kong in July 2004.

Ms. Tsang Wing Kiu (曾詠翹) (“Ms. Tsang”), aged 47, was appointed as an independent non-executive Director on 29 January 2020. She is also a member of the audit committee, remuneration committee, nomination committee and sustainable development committee of the Company.

Ms. Tsang has over 23 years of experience in accounting, finance and auditing. She obtained a degree of bachelor of arts in business administration from the University of Greenwich in July 1995 and a degree of master of science in accountancy from The Hong Kong Polytechnic University in December 2006. She is a member of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors, Senior Management and Company Secretary

She worked at RSM Hong Kong, an international accounting firm, from April 2002 to September 2016 and her last position was senior manager. She worked as chief financial officer and company secretary at Satu Holdings Limited, a company listed on the Stock Exchange (Stock code: 8392) with principal business of design, development and production management of homeware products for the period from 1 April 2017 to 31 December 2018. She has been acting as the chief financial officer and company secretary at Kelfred Holdings Limited, a company listed on the Stock Exchange (Stock code: 1134) with principal business of design, production and sale of eyewear products since April 2019.

SENIOR MANAGEMENT

Mr. Au Chun Wing (歐俊榮) (“Mr. Au”), aged 38, was appointed as the chief executive officer of the Company on 11 July 2018. He was also appointed as a member of the investment committee of the Company on 14 July 2020. He joined the Group in April 2013 and has more than 17 years of experience in the civil engineering works industry in Hong Kong.

Mr. Au obtained a bachelor’s degree in civil engineering with first class honours from the University of Liverpool in the United Kingdom in July 2004. He obtained a master’s degree of science in civil infrastructural engineering and management from the Hong Kong University of Science and Technology in November 2007.

Mr. Au was admitted as a member of the Institution of Civil Engineers in the United Kingdom and was qualified as a chartered civil engineer in December 2009. He was registered as a chartered engineer by the Engineering Council of the United Kingdom in January 2010. He was admitted as a member of the Hong Kong Institute of Engineers in February 2012.

Mr. Lam Ho Fung (林浩峰) (“Mr. Lam”), aged 37, was appointed as the chief operations officer of the Company on 11 July 2018. He joined the Group in May 2012 and has more than 14 years of experience in the civil engineering works industry in Hong Kong.

Mr. Lam was certified as a member of the Institution of Civil Engineers of in the United Kingdom and was registered by the Engineering Council in the United Kingdom as a chartered engineer in December 2010. He was admitted as a member of the Hong Kong Institution of Engineers in September 2012.

Mr. Lam obtained a bachelor’s degree of science in civil engineering from the California State Polytechnic University, Pomona in the United States in August 2006. He was certified as an engineer-in-training in the state of California in June 2006.

Mr. Shum Tsz Yeung (岑子揚) (“Mr. Shum”), aged 42, was appointed as the chief financial officer of the Company on 11 July 2018. He was also appointed as a member of the investment committee of the Company on 14 July 2020. He joined the Group in April 2018 and has over 21 years of experience in accounting, auditing, advisory on corporate governance, internal control, financial management and business administration. He obtained a diploma in accountancy from Hong Kong Lee Wai Lee Technical Institute in August 1998. He was accredited as a Hong Kong Accounting Technician by the Hong Kong Association of Accounting Technicians in November 1998.

Biographical Details of Directors, Senior Management and Company Secretary

COMPANY SECRETARY

Ms. Chang Kam Lai (張錦麗) (“Ms. Chang”), was appointed as the company secretary of the Company on 11 July 2018. She joined the Group in April 2018 and has approximately 21 years of experience in auditing, financial management, internal control and corporate governance. She is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Independent Auditors' Report



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

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

TO THE SHAREHOLDERS OF SANG HING HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sang Hing Holdings (International) Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 51 to 117, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, 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 (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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.

Independent Auditors' Report

KEY AUDIT MATTERS (Continued)

The key audit matter	How the key audit matter was addressed in our audit
Revenue recognition for provision of civil engineering work services	
Refer to Note 7 to the consolidated financial statements.	
We identified the revenue recognition for provision of civil engineering work services as a key audit matter due to its significance to the consolidated financial statements.	Our procedures in relation to the revenue recognition for provision of civil engineering work services included:
During the year ended 31 March 2021, the Group generated revenue of approximately HK\$390,229,000 from provision of civil engineering work services as disclosed in Note 7 to the consolidated financial statements.	<ul style="list-style-type: none">• obtaining an understanding on the management's key process in recognition of the contract revenue for provision of civil engineering work services;• checking the total contract value to the contracts and variation orders (if any) to the agreements or other correspondence, on a sample basis; and• evaluating the reasonableness of revenue from provision of civil engineering work services recognised to date by:<ul style="list-style-type: none">– Checking to the certificates issued by the architects or surveyors appointed by the customers before and subsequent to year end date to evaluate the value of work already performed during the year and the subsequent progress of respective projects, on a sample basis; and– Discussing with the management of the Group to understand the status of respective engineering work service contracts, on a sample basis.
As disclosed in Note 7 to the consolidated financial statements, the Group recognised revenue from provision of civil engineering work services over time using output method, i.e. based on surveys of civil engineering work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers or estimated with reference to the progress payment application submitted by the Group to the customers in relation to the work completed by the Group.	
	We found that the revenue recognition for provision of civil engineering work services to be supportable by available evidence.

Independent Auditors' Report

The key audit matter

How the key audit matter was addressed in our audit

Impairment assessment of trade receivables, contract assets and other receivables

Refer to Notes 5, 17, 18 and 19 to the consolidated financial statements.

We identified the impairment assessment of trade receivables, contract assets and other receivables as a key audit matter due to the significance of these balances to the consolidated financial statements as a whole, and the use of judgment and estimates by management in assessing the recoverability of trade receivables, contract assets and other receivables.

As disclosed in Notes 17, 18 and 19 to the consolidated financial statements, trade receivables, contract assets and other receivables of the Group carried at approximately HK\$11,802,000, HK\$62,968,000 and HK\$62,206,000, respectively as at 31 March 2021.

As set out in Note 5 to the consolidated financial statements, in determining the impairment losses on trade receivables, contract assets and other receivables, the management assessed individually and/or collectively based on the Group's historical default rates taking into consideration forward-looking information which involve estimation and significant judgment.

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

- Understanding the management's process of assessing the recoverability of trade receivables, contract assets and other receivables;
- Assessing the reasonableness of impairment recognised by examining the information used by management to form such judgments, such as checking the accuracy of the ageing analysis of trade receivables, contract assets, and other receivables to the payment certificates or completion certificates issued by the customers or the underlying financial records, respectively, on a sample basis;
- For individually assessed expected credit losses, assessing the estimated loss rates with reference to the individual customers' historical observed default rates and checking the settlement history and changes in the forward-looking information; and
- Checking, on a sample basis, post year end settlements on the trade receivables, contract assets and other receivables as at 31 March 2021 to bank receipts and challenging the information used to determine the ECL by considering cash collection performance against historical trends.

We found that the management judgement and estimates used to assess the recoverability of the trade receivables, contract assets and other receivables and determine the allowance for expected credit losses to be supportable by available evidence.

Independent Auditors' Report

OTHER INFORMATION

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

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

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

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

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditors' Report

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement director on the audit resulting in this independent auditor's report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Wong Sze Wai Basilia

Practicing Certificate Number: P05806

Hong Kong, 30 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	7	390,229	515,560
Cost of services		(350,808)	(438,297)
Gross profit		39,421	77,263
Other income and net gain	8	18,394	4,416
Administrative and operating expenses		(24,022)	(9,810)
Listing expenses		–	(11,903)
Profit from operations		33,793	59,966
Finance costs	9	(58)	(109)
Profit before tax	10	33,735	59,857
Income tax	11	(7,311)	(11,827)
Profit and total comprehensive income for the year		26,424	48,030
Profit and total comprehensive income for the year attributable to owners of the Company		26,424	48,030
Earnings per share attributable to owners of the Company			
Basic and diluted (HK cents)	15	2.64	6.32

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	16	37,322	24,426
Right-of-use assets	26(a)	569	1,634
Contract assets	18	1,329	2,293
Deposit paid	19	24,178	1,300
		63,398	29,653
Current assets			
Trade receivables	17	11,802	40,241
Contract assets	18	61,639	47,438
Prepayments, deposits and other receivables	19	132,898	69,685
Financial assets at fair value through profit or loss	20	11,473	–
Tax recoverable		877	594
Pledged bank deposits	21	6,637	8,305
Cash and cash equivalents	22	74,907	172,214
		300,233	338,477
Current liabilities			
Trade and retention payables	23	34,434	55,062
Other payables and accruals	24	7,547	14,629
Contract liabilities	25	7,269	4,636
Lease liabilities	26(b)	496	1,059
		49,746	75,386
Net current assets		250,487	263,091
Total assets less current liabilities		313,885	292,744

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Deferred tax liabilities	27	7,988	2,912
Lease liabilities	26(b)	91	450
		8,079	3,362
Net assets			
		305,806	289,382
Capital and reserves			
Share capital	28(a)	10,000	10,000
Reserves		295,806	279,382
Total equity attributable to owners of the Company			
		305,806	289,382

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2021 and signed on its behalf by:

Lai Wai
Director

Lai Ying Wah
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 March 2021

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000 (note)	Retained profits HK\$'000	Total HK\$'000
At 1 April 2019	–*	–	21,149	128,224	149,373
Profit and total comprehensive income for the year	–	–	–	48,030	48,030
Capitalisation issue (Note 28(a))	7,500	(7,500)	–	–	–
Issue of shares pursuant to share offer (Note 28(a))	2,500	122,500	–	–	125,000
Transaction costs attributable to issue of shares under share offer	–	(23,021)	–	–	(23,021)
Dividend declared and paid	–	–	–	(10,000)	(10,000)
At 31 March 2020 and 1 April 2020	10,000	91,979	21,149	166,254	289,382
Profit and total comprehensive income for the year	–	–	–	26,424	26,424
Dividend declared and paid	–	–	–	(10,000)	(10,000)
At 31 March 2021	10,000	91,979	21,149	182,678	305,806

Note: Other reserve represented the difference between the Group's share of nominal values of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon the corporate reorganisation of the Group in preparation for the listing (the "Reorganisation").

* The balance represents an amount less than HK\$1,000.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Operating activities			
Profit before tax		33,735	59,857
Adjustment for:			
Depreciation of property, plant and equipment	10	8,918	5,702
Depreciation of right-of-use assets	10	1,037	844
Allowance for expected credit losses on financial assets at amortised cost	10	680	326
Net gain on disposal of property, plant and equipment	8	(20)	(249)
Net gain on disposal of financial assets at fair value through profit or loss	8	(5,648)	–
Unrealised gain on financial assets at fair value through profit or loss	8	(418)	–
Bank interest income	8	(375)	(704)
Finance costs	9	58	109
Gain on modification of lease	8	–	(3)
Operating cash inflow before movements in working capital		37,967	65,882
Decrease in trade receivables		28,439	5,977
Increase in contract assets		(13,237)	(26,851)
Increase in prepayments, deposits and other receivables		(62,593)	(46,675)
(Decrease)/increase in trade and retention payables		(20,628)	14,948
(Decrease)/increase in other payables and accruals		(7,082)	6,048
Increase in contract liabilities		2,633	4,636
Cash (used in)/generated from operations		(34,501)	23,965
Hong Kong tax paid		(2,518)	(18,048)
Net cash (used in)/generated from operating activities		(37,019)	5,917
Investing activities			
Interest received		375	704
Purchases of financial assets at fair value through profit or loss		(67,034)	–
Proceeds from disposal of financial assets at fair value through profit or loss		61,627	–
Purchases of property, plant and equipment		(21,606)	(14,414)
Proceeds from disposal of property, plant and equipment		20	249
Deposits paid for property plant and equipment		(24,178)	–
Withdrawal/(placement) of pledged bank deposit		1,668	(4,242)
Net cash used in investing activities		(49,128)	(17,703)

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financing activities		
Dividends paid	(10,000)	(20,000)
Proceeds from issue of shares	–	125,000
Transaction costs attributable to issue of shares under share offer	–	(19,978)
Payment of lease liabilities	(1,102)	(2,123)
Interest paid	(58)	(109)
Net cash (used in)/generated from financing activities	(11,160)	82,790
Net (decrease)/increase in cash and cash equivalents	(97,307)	71,004
Cash and cash equivalents at beginning of the year	172,214	101,210
Cash and cash equivalents at end of the year	74,907	172,214
Analysis of balances of cash and cash equivalents		
Cash and bank balances	74,907	172,214

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 25 June 2018 and its shares have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 March 2020 (the “**Listing Date**”) by way of share offer at a price of HK\$0.5 each upon Listing (the “**Share Offer**”). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong, respectively.

The Company’s immediate and ultimate holding company is Worldwide Intelligence Group Limited (“**Worldwide Intelligence**”), a company incorporated in the British Virgin Islands. Worldwide Intelligence is controlled by Mr. Lai Wai (“**Mr. Lai**”) who is the chairman and executive director of the Company. Worldwide Intelligence and Mr. Lai are referred to as the controlling shareholders of the Company.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of civil engineering works service and related services. Particulars of the Group’s subsidiaries and joint operations are set out in notes 32 and 33 to the consolidated financial statements, respectively.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group. All values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

² Effective for annual periods beginning on or after 1 January 2022.

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

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

⁶ Effective for annual periods beginning on or after 1 April 2021.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statement, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any noncontrolling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Interests in joint operations

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

The estimated useful lives for the current and comparative periods are as follows:

Furniture, fixtures and equipment	20%-25%
Plant and machinery	10%-20%
Motor vehicles	20%-25%

The gain or loss on disposal of property, plant and equipment is the different between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and effective interest method

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments / receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income and net gain" line item.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and net gain" line item.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL (Continued)

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

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade and retention payables, other payable and accruals and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Revenue from contracts with customers

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Variable consideration

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Contract asset or contract liabilities

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

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

Contract asset is recognised when (i) the Group completes the construction work under such services contracts but yet certified by employer's engineers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceed the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

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

Contract costs

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Other income

The Group also has the following sources of major other income:

- Income from supplying constructions materials and others is recognised when control of the materials has transferred to the customer, being at the point the materials are delivered to the customers.
- Interest income is recognised using the effective interest method.
- Management fee income is recognised at a point in time when management services have been provided and the Group has a present right to payment for the services.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

The Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

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

Provisions and contingent liabilities

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

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

Onerous contracts

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprises of cash on hand and in banks, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the Group's statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the consolidated statement of profit or loss and other comprehensive income or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with joint operations, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Employee benefits

Short-term employee benefits

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

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions

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

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or of a parent of the reporting entity.

- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) 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).
 - (b) 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).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) 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 family members of an individual are those family members who may be expected to influence, or be influencing by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Dividends proposed by the directors of the Company are classified as a separate allocation of retained profits within the equity section of the statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Segment reporting

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgments, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Joint operations

The Group has numerous joint arrangements with third parties for construction work in Hong Kong and under which decisions about the relevant activities of such arrangements require the unanimous consent of all parties to the arrangements. For accounting purposes, the directors assessed whether such arrangements are joint operations or joint ventures under HKFRS 11. After considering the rights and obligations of parties to the joint arrangements with reference to the structure, the legal form of the arrangements, the contractual terms agreed by the parties in the arrangements, and the relevant facts and circumstances, the directors of the Company concluded that all of the Group's joint arrangements for construction work should be classified as joint operations under HKFRS 11 as the relevant contractual agreements for these joint arrangements specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty on construction contract

The Group reviews and revises the estimates of contract revenue, contract costs, variations in contract work and claims prepared for each construction contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred.

Recognised amounts of contract revenue and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

Impairment of trade and other receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade and other receivables and contract assets based on the credit risk of trade and other receivables and contract assets. The amount of the impairment loss is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the trade and other receivables and contract assets. The assessment of the credit risk of the trade and other receivables and contract assets involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the management of the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the management of the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
At FVTPL	11,473	–
At amortised costs		
– Trade receivables	11,802	40,241
– Deposits and other receivables	65,271	53,919
– Pledged bank deposits	6,637	8,305
– Cash and cash equivalents	74,907	172,214
	170,090	274,679
Financial liabilities		
At amortised costs		
– Trade and retention payables	34,434	55,062
– Other payables and accruals	7,047	14,129
– Lease liabilities	587	1,509
	42,068	70,700

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise trade receivables, deposits and other receivables, financial assets at FVTPL, pledged bank deposit, cash and cash equivalents, trade and retention payables, other payables and accruals and lease liabilities. The main purpose of these financial instruments is to finance the Group's operation.

The main risks arising from the Group's financial instruments are market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's management reviews and agrees policies for managing each of these risks and they are summarised below:

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates.

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Price risk management

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. For equity securities measured at FVTPL quoted in the Stock Exchange, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis of equity securities with fair value measurement categorised within Level 1 and Level 2, the sensitivity rate is increased to 5% in 2021 as a result of the volatile financial market.

If the prices of the respective equity instruments had been 5% higher/lower, the post-tax profit for the year ended 31 March 2021 would increase/decrease by approximately HK\$574,000 as a result of the changes in fair value of financial assets at FVTPL.

Interest rate risk management

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Certain lease liabilities bearing fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively and the exposure to the Group is considered immaterial.

The exposure to interest rate risk for the Group's bank balances is considered immaterial.

Foreign exchange risk management

The Group has no transactional currency exposures. The Group's markets mainly located in Hong Kong and its operations are denominated primarily in Hong Kong dollars, which does not expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligation resulting in financial losses to the Group. The credit risk of the Group mainly arises from pledged bank deposits and cash and cash equivalents, trade receivables, contract assets, deposit and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In respect of pledged bank deposits and cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. The directors of the Company consider that the Group's credit risk on the pledged bank deposits and cash and cash equivalents is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 March 2021 and 2020, the Group has no significant concentration of credit risk in relation to pledged bank deposits and cash and cash equivalent.

In respect of trade receivables and contract assets, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables and contract assets balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

The Group assessed the ECL on trade receivables and contract assets individually. Based on historical experience of the Group, these trade receivables and contract assets are generally recoverable due to the long term/on-going relationship and good repayment record. The Group has assessed that the rate of ECL for trade receivables and contract assets are minimal, thus, the additional loss allowance for provision for trade receivables and contract assets was insignificant as at 31 March 2021 and 2020.

For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience and also available reasonable and supportive forward-looking information. The credit risks of these financial assets are considered not to increase significantly since initial recognition, as the counterparty has a low risk of default and does not have any past due amounts so that the credit rating is classified as low risk. They are subject to the ECL model and the loss allowances limited to 12-month ECL. The impairment loss for deposits and other receivables of approximately HK\$680,000 (2020: HK\$326,000) was recognised to statement of profit or loss for the year ended 31 March 2021. The average loss rate for deposits and other receivables was 1.54% (2020: 0.6%) for the year ended 31 March 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Provision of ECL on deposits and other receivables

The provision for deposits and other receivables as at 31 March 2021 and 2020 was as follows:

	12-month ECL <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	–	–
Provision for the year	326	326
As at 31 March 2020 and 1 April 2020	326	326
Provision for the year	680	680
As at 31 March 2021	1,006	1,006

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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.

	Weighted average effective interest rate	On demand or within 1 year HK\$'000	Over 1 year and within 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 March 2021					
Non-derivative financial liabilities					
Trade and retention payables	–	34,434	–	34,434	34,434
Other payables and accruals	–	7,047	–	7,047	7,047
Lease liabilities	5.1%	511	92	603	587
		41,992	92	42,084	42,068

	Weighted average effective interest rate	On demand or within 1 year HK\$'000	Over 1 year and within 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 March 2020					
Non-derivative financial liabilities					
Trade and retention payables	–	55,062	–	55,062	55,062
Other payables and accruals	–	14,129	–	14,129	14,129
Lease liabilities	5.1%	1,107	461	1,568	1,509
		70,298	461	70,759	70,700

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(c) Fair value measurement of financial instruments

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

Fair value hierarchy as at 31 March 2021

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
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Financial assets at FVTPL

Held for trading-listed equity securities

1,045	10,428	–	11,473
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Financial assets	Fair value as at 31 March 2021	Fair value hierarchy	Valuation technique and key input
Held for trading-listed equity securities	HK\$1,045,000	Level 1	Quoted bid price in an active market
	HK\$10,428,000	Level 2	Quoted price (note)

Note:

During the year ended 31 March 2021, the Group have entered into sale and purchase agreement with independent third parties to dispose of the financial assets at FVTPL at a total consideration of approximately HK\$10,428,000. The fair value of these financial assets at FVTPL was determined based on the consideration to be received.

(d) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (which includes lease liabilities), cash and cash equivalents, pledged bank deposits and total equity attributable to owners of the Company, comprising issued share capital and reserves.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(d) Capital risk management (Continued)

Gearing ratio

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on net debt and total equity.

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

	2021 HK\$'000	2020 HK\$'000
Total debt [#]	587	1,509
Less: Cash and bank balances	(74,907)	(172,214)
Pledged bank deposits	(6,637)	(8,305)
Net debt	(80,957)	(179,010)
Total equity	305,806	289,382
Gearing ratio	N/A	N/A

[#] Total debt comprises lease liabilities as detailed in Note 26(b) to the consolidated financial statements.

6. SEGMENT INFORMATION

(i) Operating segment information

The Group's most senior executive management has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The Group's most senior executive management has determined the operating segments based on these reports.

The Group's most senior executive management assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of civil engineering works service and related services in Hong Kong. Information reported to the Group's most senior executive management for the purpose of resources allocation and performance assessment, focuses on the operating result 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 and geographical segment information is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

6. SEGMENT INFORMATION (Continued)

(ii) Information about major customers

Revenue from customers during the years ended 31 March 2021 and 2020 contributing individually over 10% of the Group's revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A	376,056	443,633
Customer B	14,173	70,101

7. REVENUE

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works services and related services which is recognised over time.

	2021 HK\$'000	2020 HK\$'000
Revenue from civil engineering works	390,229	515,560

Performance obligations for contracts with customers

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

In recognising the construction revenue, the Group adjusts the amount of payment received for the effect of the time value of money of the goods and services transferred to the customers. In certain circumstances, the adjustment will result the amount of payment received in excess of the revenue recognised to date. Such difference will be recorded as contract liabilities.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving the value of construction work has been agreed with the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the Group issued invoice to the customers based on the value of work certified by the architects, surveyor or other representatives appointed by the customers.

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

As at 31 March 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$354,340,000 (2020: HK\$520,796,000). This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 3 (2020: 4) years from the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

8. OTHER INCOME AND NET GAIN

	2021 HK\$'000	2020 HK\$'000
Bank interest income	375	704
Government and other subsidies (<i>note (i)</i>)	11,096	765
Compensation from insurance	35	1,253
Income from supplying construction materials, labour and others	140	610
Net gain on disposal of property, plant and equipment	20	249
Net gain on disposal of financial assets at FVTPL	5,648	–
Unrealised gain on financial assets at FVTPL	418	–
Gain on modification of lease	–	3
Management fee income	245	661
Sundry income	417	171
	18,394	4,416

Note:

- (i) During the year ended 31 March 2021, the Group recognised government subsidies of approximately HK\$10,867,000 in respect of COVID-19 related subsidies, of which approximately HK\$10,723,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region. The amount of approximately HK\$229,000 (2020: HK\$765,000) related to other subsidy provided by Construction Industry Council during the year ended 31 March 2021. There are no unfulfilled conditions or contingencies relating to these subsidies.

9. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on bank overdrafts	9	6
Interest on lease liabilities	49	103
	58	109

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

10. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2021 HK\$'000	2020 HK\$'000
Auditors' remuneration (<i>Note (a)</i>)		
– Audit services	1,200	900
– Non-audit services	250	–
Listing expenses	–	11,903
Depreciation of property, plant and equipment	8,918	5,702
Depreciation of right-of-use assets	1,037	844
<i>Less:</i> amounts included in cost of services	(8,346)	(5,479)
	1,609	1,067
Directors' remuneration		
– Other emoluments (fees, salaries, allowance, bonus and benefits in kind)	4,234	975
– Retirement benefit scheme contributions	36	17
Staff costs (excluding directors' remuneration)		
– Wages, salaries, allowance and bonus	79,433	82,082
– Retirement benefits schemes contributions	2,812	2,926
	82,245	85,008
<i>Less:</i> amounts included in cost of services	(72,822)	(79,924)
	9,423	5,084
Allowance for ECL on financial assets at amortised cost	680	326
Short-term lease expenses	475	235

Note:

(a) Exclude services for the listing of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) of the estimated assessable profits arising in Hong Kong during the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

	2021 HK\$'000	2020 HK\$'000
Provision for Hong Kong profits tax:		
– Current tax	2,235	10,861
– Over-provision in prior years	–	(20)
Deferred taxation (<i>Note 27</i>)	5,076	986
	7,311	11,827

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

	2021 HK\$'000	2020 HK\$'000
Profit before tax	33,735	59,857
Tax expenses at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	5,566	9,876
Tax effect of income not taxable for tax purpose	(1,981)	(150)
Tax effect of expenses not deductible for tax purpose	2,251	2,215
Tax effect of temporary difference	1,642	111
Income tax at concessionary rate	(157)	(165)
Tax relief	(10)	(40)
Over-provision in prior years	–	(20)
Tax charge for the year	7,311	11,827

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the Group prior to becoming the directors and chief executive of the Company) by entities comprising the Group during the years ended 31 March 2021 and 2020 are as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefits schemes contributions HK\$'000	Total HK\$'000
Year ended 31 March 2021					
Executive directors					
Mr. Lai	-	1,110	90	-	1,200
Mr. Lai Ying Wah	-	840	-	18	858
Mr. Lai Ying Keung	-	840	70	18	928
Non-executive director					
Mr. Fung Chi Kin	300	-	-	-	300
Independent non-executive directors					
Mr. Cheung Wai Kwok Gary	216	-	-	-	216
Prof. Leung Yee Tak	216	-	-	-	216
Mr. Zhang Senquan	216	-	-	-	216
Mr. Ho Tai Tung	216	-	-	-	216
Ms. Tsang Wing Kiu	120	-	-	-	120
	1,284	2,790	160	36	4,270
Chief executive					
Mr. Au Chun Wing	-	1,200	200	18	1,418
Year ended 31 March 2020					
Executive directors					
Mr. Lai	-	48	-	-	48
Mr. Lai Ying Wah	-	770	70	17	857
Mr. Lai Ying Keung	-	34	-	-	34
Non-executive director					
Mr. Fung Chi Kin	12	-	-	-	12
Independent non-executive directors					
Mr. Cheung Wai Kwok Gary (note)	9	-	-	-	9
Prof. Leung Yee Tak (note)	9	-	-	-	9
Mr. Zhang Senquan (note)	9	-	-	-	9
Mr. Ho Tai Tung (note)	9	-	-	-	9
Ms. Tsang Wing Kiu (note)	5	-	-	-	5
	53	852	70	17	992
Chief executive					
Mr. Au Chun Wing	-	1,200	200	18	1,418

The executive directors' and chief executive emoluments shown were mainly for their service in connection with the management of the affairs of the Company and the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

During the years ended 31 March 2021 and 2020, there were no amounts paid or payable by the Group to the directors and chief executive or any of the highest paid individuals set out in Note 13 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

Note:

Mr. Cheung Wai Kwok Gary, Prof. Leung Yee Tak, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu were appointed as independent non-executive directors of the Company on 29 January 2020, respectively.

13. EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group during the year ended 31 March 2021, three (2020: one is chief executive) are executive directors or chief executive of the Company for the year ended 31 March 2021, whose emoluments are disclosed in Note 12. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowance and benefits in kind	1,998	3,646
Discretionary bonuses	504	1,269
Retirement benefits schemes contributions	35	69
	2,537	4,984

The emoluments of the above individuals are within the following bands:

	2021	2020
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	2	3

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

14. DIVIDENDS

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

In June 2020, the Company declared final dividends in respect of the year ended 31 March 2020 for the amounts of HK\$10,000,000 and paid in September 2020.

In February 2020, the Company declared dividends for the amounts of HK\$10,000,000 to its then shareholders and paid in February 2020.

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately HK\$26,424,000 (2020: approximately HK\$48,030,000) and the weighted average number of ordinary shares of the Company in issue during the year:

	2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,000,000,000	760,245,902

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year ended 31 March 2020 has been determined on the assumption that 750,000,000 ordinary shares had been in issue, comprising 100 ordinary shares issued under the Reorganisation and 749,999,900 ordinary shares issued pursuant to the capitalisation issue which took place upon the completion of the Share Offer as set out in note 28(a)(ii), which were assumed to occur at 1 April 2018.

No dilutive earnings per share is presented as there was no potential dilutive ordinary shares in issue during both years.

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For the year ended 31 March 2021

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At 1 April 2019	1,258	16,066	14,390	31,714
Transfer from right-of-use assets	–	–	3,698	3,698
Additions	11	13,801	602	14,414
Disposal	–	–	(867)	(867)
At 31 March 2020 and 1 April 2020	1,269	29,867	17,823	48,959
Transfer from right-of-use assets	–	–	652	652
Additions	5,100	16,435	71	21,606
Disposal	–	–	(2,320)	(2,320)
At 31 March 2021	6,369	46,302	16,226	68,897
Accumulated depreciation:				
At 1 April 2019	831	7,120	9,849	17,800
Transfer from right-of-use assets	–	–	1,898	1,898
Charge for the year	168	3,126	2,408	5,702
Disposal	–	–	(867)	(867)
At 31 March 2020 and 1 April 2020	999	10,246	13,288	24,533
Transfer from right-of-use assets	–	–	444	444
Charge for the year	603	6,180	2,135	8,918
Disposal	–	–	(2,320)	(2,320)
At 31 March 2021	1,602	16,426	13,547	31,575
Net carrying amount:				
At 31 March 2021	4,767	29,876	2,679	37,322
At 31 March 2020	270	19,621	4,535	24,426

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

17. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	11,802	40,241

The average credit period on construction works is 30 days.

An aging analysis of trade receivables as at the end of the reporting period, based on the invoice date. The analysis below is net of allowance for ECL:

	2021 HK\$'000	2020 HK\$'000
0-30 days	11,802	40,241

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

18. CONTRACT ASSETS

	2021 HK\$'000	2020 HK\$'000
Unbilled receivables (<i>note (i)</i>)	49,575	39,542
Retention receivables (<i>note (ii)</i>)	13,393	10,189
	62,968	49,731
Less: Non-current portion of retention receivables	(1,329)	(2,293)
	61,639	47,438

notes:

- (i) Unbilled receivables included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (ii) Retention receivables included in contract assets represents the Group's right to consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over the maintenance period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically after the expiry date of the maintenance period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments (<i>note (a)</i>)	67,627	15,766
Deposits (<i>note (b)</i>)	26,571	4,058
Other receivables (<i>note (c)</i>)	62,206	51,297
Amount due from other joint operator of a joint operation (<i>note (d)</i>)	1,678	190
	158,082	71,311
<i>Less:</i> Allowance for ECL	(1,006)	(326)
	157,076	70,985
<i>Less:</i> Non-current portion of deposits	(24,178)	(1,300)
	132,898	69,685

Notes:

- (a) As at 31 March 2021, the prepayments mainly present subcontractor charge of amount approximately HK\$62,080,000 (2020: HK\$7,802,000) which were prepaid to independent third parties.
- (b) As at 31 March 2021, the deposits mainly include the amount of deposit for property, plant and equipment was approximately HK\$24,178,000 (2020: nil)
- (c) As at 31 March 2021, included in the other receivables was an aggregate amount of approximately HK\$61,956,000 (2020: HK\$51,143,000) representing the contra charges paid on behalf of and advance payment to the subcontractors.
- (d) The amount due from other joint operator of a joint operation is unsecured, interest-free and recoverable on demand.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Equity securities listed in Hong Kong	11,473	–

For more details, please refer to note 5(c).

21. PLEDGED BANK DEPOSITS

As at 31 March 2021 and 2020, the pledged bank deposit of the Group is pledged to bank for general banking facilities. As at 31 March 2021, the Group has unutilised banking facilities amounting to approximately HK\$79,000,000 (2020: HK\$18,800,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

22. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise

	2021 HK\$'000	2020 HK\$'000
Cash at banks and in hand	64,907	162,214
Time deposits	10,000	10,000
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	74,907	172,214

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances carries interest rate ranging from 0.1% to 1.9% (2020: 0.1% to 2.1%) per annum. Time deposits are made for varying periods of between 1 and 3 months (2020: 1 and 3 months) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

(b) Reconciliation of liabilities arising from financing activities

The table below details the cash flow and non-cash flow changes in the Group's liabilities arising from financing activities. Except as disclosed below, there were non-cash changes in the Group's liabilities arising from financing activities.

	Lease liabilities HK\$'000
At 1 April 2019	2,404
Change in financing cash flows	(2,226)
Other changes:	
Interest expenses on lease liabilities	103
New leases	1,500
Modification of leases	(272)
At 31 March 2020 and 1 April 2020	1,509
Change in financing cash flows	(1,151)
Other changes:	
Interest expenses on lease liabilities	49
New leases	180
At 31 March 2021	587

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

23. TRADE AND RETENTION PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	27,060	47,312
Retention payables	7,374	7,750
	34,434	55,062

The credit period on trade payables is up to 60 days. Aging analysis of trade payables at the end of each reporting period, based on invoice dates, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-30 days	10,530	14,895
31-60 days	3,431	21,586
61-90 days	2,150	6,025
Over 90 days	10,949	4,806
	27,060	47,312

24. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other payables and accruals	1,565	8,150
Accrued staff costs	5,482	5,979
Employee benefit obligations	500	500
	7,547	14,629

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

25. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Construction contracts	7,269	4,636

Typical payment terms which impact on the amounts of contract liabilities recognised are as follows:

Construction contracts

The Group received certain amounts from customers for civil engineering works service while the services had not been rendered to customers at 31 March 2021 and 2020.

The Group classifies these contract liabilities as current liabilities because the Group expects to them to be settled in its normal operating cycle which is within 12 months after the end of the reporting period.

Revenue from construction contracts recognised during the year ended 31 March 2021 that was included in the contract liabilities at the beginning of the year was HK\$4,636,000 (2020: Nil).

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26. LEASES

(a) Right-of-use assets

	Leasehold land and buildings <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 April 2019	714	4,350	5,064
Transfer to property, plant and equipment	–	(3,698)	(3,698)
Additions	1,500	–	1,500
Modification of leases	(365)	–	(365)
At 31 March 2020 and 1 April 2020	1,849	652	2,501
Transfer to property, plant and equipment	–	(652)	(652)
Additions	180	–	180
Elimination	(543)	–	(543)
At 31 March 2021	1,486	–	1,486
Accumulated depreciation:			
At 1 April 2019	–	2,017	2,017
Transfer to property, plant and equipment	–	(1,898)	(1,898)
Charge for the year	681	163	844
Modification of leases	(96)	–	(96)
At 31 March 2020 and 1 April 2020	585	282	867
Transfer to property, plant and equipment	–	(444)	(444)
Charge for the year	875	162	1,037
Elimination	(543)	–	(543)
At 31 March 2021	917	–	917
Net carrying amount:			
At 31 March 2021	569	–	569
At 31 March 2020	1,264	370	1,634

Lease liabilities of approximately HK\$587,000 (2020: HK\$1,509,000) are recognised with related right-of-use assets of approximately HK\$569,000 (2020: HK\$1,634,000) as at 31 March 2021. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

26. LEASES (Continued)

(b) Lease liabilities

As at 31 March 2021, the Group leases various motor vehicles and leasehold land and buildings for a period of time through lease arrangements with lease terms ranging from two to three years (2020: two to four years). These liabilities were measured at the net present value of the lease payments during the lease terms that are not yet paid.

The ranges of interest rates are from 5.13% to 5.25% (2020: 2.69% to 5.25%) per annum.

The total future minimum lease payments under lease arrangements and their present values were as follows:

	Minimum lease payments as at 31 March 2021 HK\$'000	Present value of minimum lease payments as at 31 March 2021 HK\$'000	Minimum lease payments as at 31 March 2020 HK\$'000	Present value of minimum lease payments as at 31 March 2020 HK\$'000
Within 1 year	511	496	1,107	1,059
After 1 year but within 2 years	92	91	416	406
After 2 years but within 5 years	–	–	45	44
	603	587	1,568	1,509
Less: Total future interest expenses	(16)		(59)	
Present value of lease liabilities	587		1,509	
Less: Amount due for settlement within one year		(496)		(1,059)
Amount due for settlement after one year		91		450

Analysed by:

	As at 31 March 2021 HK\$'000	As at 31 March 2020 HK\$'000
Leasehold land and buildings	587	1,282
Motor vehicles	–	227
	587	1,509

Included in the lease liabilities, an approximately HK\$180,000 (2020: HK\$175,000) was liable to Mr. Lai as at 31 March 2021.

Notes to the Consolidated Financial Statements

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27. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2019	1,926
Charge to profit or loss (<i>Note 11</i>)	986
At 31 March 2020 and 1 April 2020	2,912
Charge to profit or loss (<i>Note 11</i>)	5,076
At 31 March 2021	7,988

28. CAPITAL AND RESERVES

(a) Share capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019	38,000,000	380
Increase in authorised share capital (<i>note (i)</i>)	9,962,000,000	99,620
At 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000,000	100,000
Issued:		
At 1 April 2019	100	—*
Capitalisation issue (<i>note (ii)</i>)	749,999,900	7,500
Issue of new shares under Share Offer (<i>note (iii)</i>)	250,000,000	2,500
At 31 March 2020, 1 April 2020 and 31 March 2021	1,000,000,000	10,000

* The balance represents an amount less than HK\$1,000.

Notes to the Consolidated Financial Statements

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28. CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

Notes:

- (i) On 29 January 2020, the then shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking pari passu with the shares of the Company then in issue in all respects.
- (ii) On 29 January 2020, the Company capitalised an amount of HK\$7,499,999 by issuing additional 749,999,900 shares, credited as fully paid, to the holder(s) of shares on the register of members of the Company at the close of business on 29 January 2020 (or as they may direct) in proportion to their shareholdings (save that no shareholder shall be entitled to be allotted and issued any fraction of a share).
- (iii) On 17 March 2020, 250,000,000 ordinary shares were issued at a price of HK\$0.5 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HK\$2,500,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK\$99,479,000, net of the listing expenses directly attributable to the issuance of shares, were credited to the share premium account.

(b) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium <i>HK\$'000</i>	(Accumulated losses)/ retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	–	(10,337)	(10,337)
Profit and total comprehensive income for the year	–	20,655	20,655
Capitalisation issue (<i>Note 28(a)(iii)</i>)	(7,500)	–	(7,500)
Issue of shares pursuant to Share Offer	122,500	–	122,500
Transaction costs attributable to issue of shares under Share Offer	(23,021)	–	(23,021)
Dividend declared and paid	–	(10,000)	(10,000)
At 31 March 2020 and 1 April 2020	91,979	318	92,297
Profit and total comprehensive income for the year	–	13,949	13,949
Dividend declared and paid	–	(10,000)	(10,000)
At 31 March 2021	91,979	4,267	96,246

Notes to the Consolidated Financial Statements

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29. SHARE OPTION SCHEME

On 29 January 2020, the then shareholders of the Company approved and conditionally adopted a share option scheme (the “**Share Option Scheme**”).

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and there was no share option outstanding as at 31 March 2021 and 2020.

The following is a summary of the principal terms of the Share Option Scheme.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions by Proposed Grantee (as defined in sub-paragraph (b) below) to the Company and the subsidiaries or invested entity and associated companies of the Company. By providing them with the opportunity to acquire equity interests in the Company, the Share Option Scheme aims to achieve the following objectives:

- (i) attract skilled and experienced personnel, to incentivise them to remain with the Company or its subsidiaries or any entity in which any member of the Group holds any equity interest (“**invested entity**”) (as the case may be) and to give effect to the Company’s customer-focused corporate culture, and to motivate them to think as shareholders of the Company and strive for the future development and expansion of the Company and its subsidiaries or invested entity; and
- (ii) attract and retain or otherwise maintain ongoing business relationships with suppliers and customers whose contributions are or will be beneficial to the longterm growth of the Company.

(b) Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to the following persons (collectively, “**Proposed Grantee**”):

- (i) employee (whether full time or part time, and for the purposes of the Share Option Scheme also includes any executive Director and non-executive Directors (including independent non-executive Director) of the Company or any of its subsidiaries or invested entity (collectively, “**Employee**”);
- (ii) any advisor, consultant, supplier, customer or agent to the Company or any of its subsidiaries or invested entity provided that (i) such advisor, consultant, supplier, customer or agent provides bona fide services to or conduct business with the Company or any of its subsidiaries or invested entity, (ii) the services provided by or business with the advisor, consultant, supplier, customer or agent are not in connection with the offer or sale of securities in a capital-raising transaction of the Company and (iii) such advisor, consultant, supplier, customer or agent, or the services provided or the business conducted, do not directly or indirectly make a market for the Company’s securities (collectively, “**third party contributor**”),

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29. SHARE OPTION SCHEME (Continued)

(b) Who may join (Continued)

provided that no prospectus is required to be issued in connection with such grant under the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any other applicable laws. The Board may in its absolute discretion specify such conditions (if any) as it thinks fit when making such offer to the Proposed Grantee, including, without limitation and notwithstanding subparagraph (i), as to performance criteria to be satisfied by the Proposed Grantee and/or the Company before an option can be exercised.

(c) Maximum number of Shares available for issue

No share option has been granted under the Share Option Scheme as at the date of this annual report.

The total number of Shares available for issue under the Share Option Scheme is 100,000,000, representing approximately 10% of the Company's total number of issued shares as at the date of this annual report. The Company has 1,000,000,000 shares in issue as at the date of this annual report.

(d) Maximum entitlement of each individual and connected persons

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of this 1% limit will be subject to the approval of the shareholders of the Company in general meeting.

The independent non-executive Directors (excluding any independent non-executive Director who is a Proposed Grantee of the option(s)) will be required to approve each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates. If a grant of options to a substantial shareholder of the Company or an independent non-executive Director, or their respective associates, will result in the total number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the issued share capital of the Company from time to time; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK\$5 million,

such further grant of options will be required to be approved by the shareholders of the Company in general meeting.

(e) Acceptance of an offer of options

An offer shall be accepted by the Proposed Grantee within 30 days from the date of the offer of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

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29. SHARE OPTION SCHEME (Continued)

(f) Exercise price

The exercise price in respect of any option shall be such price as determined by the Board and notified to any Grantee (subject to any adjustment made in accordance with the Share Option Scheme) and shall be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for a board lot on the option offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for a board lot for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

(g) Time of vesting and exercise of options

Subject to sub-paragraph (b), and unless otherwise determined by the Board and stated in the offer to a Proposed Grantee, no performance criteria are to be satisfied by a Proposed Grantee and/or the Company before the exercise of an option granted to him.

A Proposed Grantee may exercise his option in whole or in part (but, if in part, only in respect of a board lot or any integral multiple thereof) by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares to be subscribed. Each such notice must be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance, the Company will allot and issue the relevant Shares to the Proposed Grantee credited as fully paid and issue to the Proposed Grantee a share certificate in respect of the Shares so allotted.

Subject to any early vesting of options pursuant to Share Option Scheme, all options granted under the Share Option Scheme will be subject to a vesting period of up to ten years to be determined with respect to each Proposed Grantee by the Board at the time of grant of the relevant option and stated in the offer to a Proposed Grantee. In the absence of such requirements, a Proposed Grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme shall remain in force until 17 March 2030.

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30. MATERIAL RELATED PARTY TRANSACTIONS

Material related party transactions identified during the years and balances with these related parties at those dates are summarised as follows:

(a) Recurring transactions

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities to Mr. Lai	5	14

(b) Key management personnel remuneration

The emoluments of the directors and senior management of the Group, who represent the key management personnel during the years are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, fees and allowances	7,275	4,692
Discretionary bonuses	684	470
Retirement benefit	126	89
	8,085	5,251

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31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current asset			
Investment in a subsidiary		_*	_*
Amounts due from subsidiaries		89,407	–
		89,407	–
Current assets			
Prepayments, deposits and other receivables		240	19
Financial assets at FVTPL		11,473	–
Amounts due from subsidiaries		–	40,525
Cash and cash equivalents		5,988	68,493
		17,701	109,037
Current liabilities			
Accruals		862	6,740
Net current assets		16,839	102,297
Total assets less current liabilities		106,246	102,297
Net assets		106,246	102,297
Capital and reserves			
Share capital	<i>28(a)</i>	10,000	10,000
Reserves	<i>28(b)</i>	96,246	92,297
Total equity attributable to owners of the Company		106,246	102,297

* The balance represents an amount less than HK\$1,000.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

32. PARTICULARS OF SUBSIDIARIES

The following table lists the subsidiaries of the Company:

Name of subsidiary	Place of registration/ operation	Class of share	Issued and fully paid share capital	Percentage of attributable interest of the Group		Principal activities
				2021	2020	
Sang Hing Holdings (Hong Kong) Limited	British Virgin Islands	Ordinary	100 shares/ USD 100	100%	100%	Investment holding
Sang Hing Civil Contractors Company Limited	Hong Kong	Ordinary	25,000,000 shares/ HK\$25,000,000	100%	100%	Civil engineering work services

Except for Sang Hing Holdings (Hong Kong) Limited which is directly held by the Company, all other subsidiary is indirectly held by the Company.

None of the subsidiaries had debt securities outstanding at the end of the reporting period or at any time during the year.

33. PARTICULARS OF PRINCIPAL JOINT OPERATIONS

Particulars of the Group's principal joint operations as at 31 March 2021 and 2020 are as follows:

Name of joint operation	Form of business structure	Place of registration/ operation	Percentage of attributable interest of the Group		Principal activities
			2021 (note a)	2020 (note a)	
Sang Hing Civil – Richwell Machinery JV	Unincorporated	Hong Kong	100%	100%	Construction
Sang Hing – Kuly Joint Venture	Unincorporated	Hong Kong	64.24% to 95.21%	64.24% to 95.21%	Construction

Notes:

- The Group's attributable interest is equal to, greater or less than 50% in these body unincorporates. However, under the joint venture agreements, the joint operators have contractually agreed sharing of control over the relevant activities of these body unincorporates, hence all these body unincorporates are jointly controlled by the Group and the other joint operators. Furthermore, the relevant joint venture agreements specify that the Group and the other parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements in accordance with the attributable interest of the Group as disclosed above and the interest attributable to the other joint operators respectively, therefore these body unincorporates are classified as joint operations.
- All principal joint operations engaged in construction work are contracted to carry out infrastructure and public facilities related works in Hong Kong. These joint operations are strategic to the Group's principal activities in construction work.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

34. SUBSEQUENT EVENTS

On 8 June 2021, the Company announce that the Company, as the purchaser and Mr. Lai, the executive Director, as the vendor entered into a provisional sale and purchase agreement, pursuant to which the Company agreed to purchase a property and Mr. Lai agreed to sell the property at a consideration of HK\$6.0 million. Further details of the acquisition of the property were set out in the announcement of the Company dated 8 June 2021.

35. LITIGATION

As at the date of this report, saved for one common law personal injury legal proceedings, all of the claims brought against the Group have been settled.

The directors of the Company are of the view that the amount to be borne by the Group in respect of the cost of the common law personal injury claims will be covered by the relevant insurance taken out by the Group. Therefore, the Group has not made provision to cover the potential liability under the above claims.

36. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the the board of directors on 30 June 2021.

Five-Year Financial Summary

For the year ended 31 March 2021

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below:

RESULTS

	Year ended 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	390,229	515,560	434,717	282,324	341,871
Gross profit	39,421	77,263	65,930	42,779	43,763
Listing expenses	–	(11,903)	(10,321)	–	–
Income tax	(7,311)	(11,827)	(10,156)	(6,782)	(6,418)
Profit and total comprehensive income for the year attributable to owners of the Company	26,424	48,030	41,035	35,003	40,445

ASSETS AND LIABILITIES

	As at 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	363,631	368,130	218,297	204,705	197,652
Total liabilities	(57,825)	(78,748)	(68,924)	(74,333)	(87,246)
Total equity attributable to owners of the Company	305,806	289,382	149,373	130,372	110,406

The summary above does not form part of the audited consolidated financial statements.