



TWINTEK INVESTMENT HOLDINGS LIMITED

乙德投資控股有限公司

ANNUAL REPORT

2022





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Wing Cheung (*Chairman*)
Ms. Fung Pik Mei

Non-executive Director

Mr. Wan Ho Yin

Independent Non-executive Directors

Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

AUDIT COMMITTEE

Mr. Shu Wa Tung Laurence (*Chairman*)
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok
Mr. Wan Ho Yin

REMUNERATION COMMITTEE

Mr. Tam Wing Lok (*Chairman*)
Mr. Lo Wing Cheung
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor

NOMINATION COMMITTEE

Mr. Lo Wing Cheung (*Chairman*)
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

COMPANY SECRETARY

Mr. Chau Wing Wo

AUDITOR

SHINEWING (HK) CPA Limited

AUTHORISED REPRESENTATIVES

Mr. Lo Wing Cheung
Ms. Fung Pik Mei

COMPANY LAWYER

CFN Lawyers in association with Broad & Bright
27/F, Neich Tower
128 Gloucester Road, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO BOX 1093
Boundary Hall Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

PO BOX 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 806, 8/F
Eastern Centre
1065 King's Road
Quarry Bay
Hong Kong

SHARE INFORMATION

Ordinary Share Listing

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited

Stock Code: 06182

Board lot size: 8,000 Shares

WEBSITE

www.kwantaieng.com



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”), I am pleased to present the annual results of Twintek Investment Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022 (the “**Year**”).

The adverse impact of the COVID-19 pandemic has become broadly stable to the construction industry during the Year, and most of the construction works gradually resumed to normal level. During the Year, the Group engaged in several large scaled projects with satisfactory results, especially the gypsum block construction contracts segment. As mentioned in Annual report 2021, the Group remained its focal in carrying out a mega sized public project under the 10-Year Hospital Development Plan and a large scaled public utility project. Two projects together contributed revenue of approximately HK\$143.9 million for the Year. It would be a valuable opportunity on demonstrating our proven high quality gypsum block products among different government sectors, and a chance to further expand our market share on public works.

Timber flooring products remain one of the Group's major sources of revenue. The Group continued to take parts in several large scaled residential projects in Tai Wai, Eastern Kowloon and Tseung Kwan O.

As a result of the above, the Group's net profit increased from approximately HK\$11.3 million for the previous year to approximately HK\$13.7 million for the Year.

The Group has also explored new market to further strengthen its revenue source. During the Year, the Group offered a new partition system, iconic by its 100% relocatability feature, to the market. As at 31 March 2022, the Group has secured two public utility projects with aggregate contract sum over HK\$50 million. These projects are expected to commence in January 2023.

Despite the recent outbreak of fifth wave of COVID-19 pandemic and the re-imposition of strict quarantine policies which would bring uncertainties to the Group in short-term, we remain optimistic to our long term business growth. In the near future, the Hong Kong Government is expected to expedite various initiatives to increase land supply and residential supply with a view to easing Hong Kong's chronic housing shortage. Further, as laid out in the 2022 Policy Address, the Government will push forward with the development of Lantau Tomorrow Vision and the Northern Metropolis. Such mega development projects plans will create promising outlook for the construction industry over the next decade and the Group would undoubtedly benefit from this in the future. The Group will continue to use all endeavors to manage upcoming challenges in the fast changing environment and maintain its leading position among industry players in order to expand the Group's business and maximise the shareholders' interest.



CHAIRMAN'S STATEMENT (CONTINUED)

APPRECIATION

In appreciation of the shareholders' support, an interim dividend of HK0.75 cents per share was declared in November 2021 and paid in December 2021. In addition, the Board resolved to propose a final dividend of HK0.5 cents per share for the Year, which is subject to the shareholders' approval at the forthcoming annual general meeting (the "AGM") of the Company.

Lastly, on behalf of the Board, I would like to express my sincere appreciation to all shareholders, customers and business partners for their continuous support to the Group, and to extend my gratitude to dedicated staff for their contributions throughout the Year.

Lo Wing Cheung

Chairman

Hong Kong, 23 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

The Group is a building materials contractor providing building materials and the relevant installation services mainly in Hong Kong. The Group's products mainly consist of (i) timber flooring products; (ii) interior wall-fill materials, in particular, gypsum block and drywall partition products; (iii) interior composite panel lining, in particular, SPC wall panels; (iv) woodwork products; and (v) roof tiles.

During the year ended 31 March 2022, as pandemic containment has become broadly stable in Hong Kong and various governments made progress with vaccination programs, construction works have been resumed to normal level. Hong Kong's economy started to recover steadily, and the overall market outlook was expected to be positive. The Group generally continued noting signs of improvement, and recorded an increase in revenue and net profit to approximately HK\$337.4 million and HK\$13.7 million for the year ended 31 March 2022, respectively, compared to revenue and net profit of approximately HK\$311.8 million and HK\$11.3 million for the year ended 31 March 2021, respectively.

The Group noted the increasing competition on timber flooring products with its competitors' aggressive pricing strategy, and the drop in number of private residential properties completed in 2021 by approximately 31% as compared to 2020, according to the data from the Rating and Valuation Department. In addition, following the completion of several residential projects in Pak Shek Kok, Tseung Kwan O and Eastern Kowloon and a major construction project in last financial year, the commencement dates and work programmes of several newly awarded timber flooring projects have been slightly delayed due to the fifth wave of COVID-19 outbreak in Hong Kong. The above factors hindered the performance of timber flooring projects for the year ended 31 March 2022.

The 10-Year Hospital Development Plan contained in the 2016 Policy Address of the Chief Executive would continue to be the key footprint for the Group to pursue in its business development. Having considered the stringent requirements related to hospitals construction projects, the Group kept up the efforts to improve the technicality of its gypsum block installation system, so as to facilitate compliance with the enhanced construction standards to maintain its competitiveness. In previous years, the Group's efforts have been proven successful by its completion of several large-scale hospital projects in both private and public sectors. As disclosed in the annual report 2020 of the Group, the Group has been awarded one project under the 10-Year Hospital Development Plan with a contract sum of approximately HK\$109.3 million for the supply and installation of over 100,000 square meters of gypsum block products. Such project has commenced in November 2020 and is in the final stage of completion as at 31 March 2022. Going onward, the Group trusts it remains well-positioned to take on further potential business opportunities brought by the 10-Year Hospital Development Plan, the implementation of which is being robustly driven by the Hong Kong Government. As of now, the Group has already submitted 2 tenders for new projects under the 10-Year Hospital Development Plan with aggregate contract sum of not less than HK\$200 million. In addition to the potential projects under the 10-Year Hospital Development Plan, the Group has also received several tender invitations for other public utilities projects. Given the risks presented by the COVID-19 pandemic, developers are likely to place more emphasis on the quality of gypsum block products, which could lead to greater business opportunities for the Group as it offers gypsum block products with eco-friendly and radiation protection features that are fit for the current building material specifications.

In 2019, the Group introduced several new products including interior composite panel lining, in particular, the SPC wall panel, a panel lining with anti-bacterial, eco-friendly properties, which provides a quicker and budgeted solution to the Group's customers compared to conventional installation methods and is well-suited to the latest industry trend requiring faster construction. After completing a large scaled hospital project for the supply and installation of over 20,000 square meters of SPC wall panels in early 2021, the Group is well-prepared to take part in other large scaled projects in the future. With an increasing awareness about public health and safety amidst the COVID-19 pandemic, the Group foresees an increase in demand for the anti-bacterial SPC wall panels from its customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group kept exploring the fitout sector so as to fully utilise its interior installation experience and to achieve vertical integration and diversification of its business segments. The Group has so far received positive response from its customers.

Looking forward, the Group will continue to focus on its competitive edge. The Directors believe that the Group will benefit from the promising medium-to-long term outlook of the Hong Kong construction industry. In the long run, the Group will continue to use all endeavors to manage upcoming challenges in the fast-changing environment and maintain its leading position among industry players to achieve satisfactory results in the future.

FINANCIAL REVIEW

Revenue

The Group's revenue was generated from two segments: (i) construction contracts, i.e. provision of construction and engineering services; and (ii) sales of building materials. The Group's total revenue increased by approximately HK\$25.6 million, or approximately 8.2%, from approximately HK\$311.8 million for the year ended 31 March 2021 to approximately HK\$337.4 million for the year ended 31 March 2022. Despite keen competition from competitors with aggressive pricing strategies, the Group kept its effort in securing several projects with considerable contract sum.

The following table sets forth the details of the Group's revenue sources:

| | For the year ended 31 March | | | |
|-----------------------------|-----------------------------|-------|--------------|-------|
| | 2022 | | 2021 | |
| | HK\$ million | % | HK\$ million | % |
| Construction contracts | 288.9 | 85.6 | 268.7 | 86.2 |
| Sales of building materials | 48.5 | 14.4 | 43.1 | 13.8 |
| Total | 337.4 | 100.0 | 311.8 | 100.0 |

Construction Contracts

The Group's revenue generated from construction contracts has been increased from approximately HK\$268.7 million for the year ended 31 March 2021 to approximately HK\$288.9 million for the year ended 31 March 2022, represented an increase of approximately HK\$20.2 million or approximately 7.5%. Despite the revenue generated from timber flooring projects has decreased by approximately 28.6% due to the abovementioned reasons, three major gypsum block projects, including the project under the 10-Year Hospital Development Plan which contributed revenue of approximately HK\$158.7 million, offsetting the decrease in revenue generated from timber flooring projects.

Sales of Building Materials

The Group's revenue generated from sales of building materials increased by approximately HK\$5.4 million, or approximately 12.6%, from approximately HK\$43.1 million for the year ended 31 March 2021 to approximately HK\$48.5 million for the year ended 31 March 2022. Despite the abovementioned keen competition, with the proven quality of the Group's gypsum block products, revenue recorded from sales of gypsum block products rebounded from approximately HK\$19.7 million for the year ended 31 March 2021 to approximately HK\$32.8 million for the year ended 31 March 2022. A timber flooring project in Tseung Kwan O has further contributed revenue of approximately HK\$11.1 million for the year ended 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK\$281.3 million for the year ended 31 March 2022, slightly increased by approximately 7.0% (2021: approximately HK\$262.9 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 98.2% (2021: approximately 98.5%) of the Group's total cost of sales and services for the year ended 31 March 2022.

The Group's material costs mainly comprises wooden flooring materials and gypsum block materials. The Group recorded an increase in material costs under cost of sales and services by approximately 7.8% for the year ended 31 March 2022, which was generally in line with the increase in revenue for the year ended 31 March 2022. The increase in material costs for the year ended 31 March 2022 was mainly derived from gypsum block materials, and in line with the increase in revenue generated from gypsum block materials during the year ended 31 March 2022.

The Group recorded a mild increase in subcontracting costs under cost of sales and services by approximately 4.6% for the year ended 31 March 2022. As the Group has placed considerable effort in cost control, the increase in subcontracting costs charged on projects was generally less than the increase in revenue generated from construction contracts.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK\$7.3 million, or approximately 15.0%, from approximately HK\$48.8 million for the year ended 31 March 2021 to approximately HK\$56.1 million for the year ended 31 March 2022, and the Group's gross profit margin increased from approximately 15.7% for the year ended 31 March 2021 to approximately 16.6% for the year ended 31 March 2022.

The gross profit and gross profit margin of the Group's projects were affected by a number of factors, including terms of contract, the length of contractual period, scope of work, technical complexity, variation orders (if any) and/or work programme, and therefore vary from project to project.

With the increase in competition from competitors with aggressive pricing strategies, the Group carefully estimated the gross profit of each project before accepting a new bid.

Other than the above factors, the increase in the Group's gross profit margin was attributable to the increase in proportion of the Group's revenue generated from sales of building materials. In general, the gross profit margin of sales of building materials is higher than that of construction contracts, as the labour cost in Hong Kong is generally much higher than the material cost which lowers the gross profit margin of construction contracts. Given that the proportion of revenue contribution from sales of building materials slightly increased from approximately 13.8% to 14.4% of the Group's total revenue for the year ended 31 March 2022, the Group's overall gross profit margin increased accordingly.

Other Income

The Group's other income increased by approximately HK\$0.7 million, or approximately 19.0%, from approximately HK\$3.6 million for the year ended 31 March 2021 to approximately HK\$4.3 million for the year ended 31 March 2022. Despite the Group received no wages subsidies during the year ended 31 March 2022 as compared to wage subsidies of approximately HK\$1.7 million during the year ended 31 March 2021 from the Employment Support Scheme under the Anti-epidemic Fund launched by the government, the Group has earned one-off storage fee income of approximately HK\$2.8 million and resulted in an increase of other income for the year ended 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly comprised transportation expenses, storage expenses and business development expenses. The total selling and distribution expenses slightly increased by approximately HK\$0.5 million, or approximately 5.2%, from approximately HK\$8.8 million for year ended 31 March 2021 to approximately HK\$9.3 million for the year ended 31 March 2022. The increase selling and distribution expenses was in line with the increase in revenue generated from the German-made gypsum block products.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$3.6 million, or approximately 11.7%, from approximately HK\$30.9 million for the year ended 31 March 2021 to approximately HK\$34.5 million for the year ended 31 March 2022. The increase in administrative expenses was mainly caused by (i) increase in staff cost of approximately HK\$1.2 million as the average monthly salary of the Group's staff has increased; (ii) increase in depreciation expenses of approximately HK\$0.5 million with the acquisition of a property in October 2020; and (iii) increase in impairment losses recognised on trade receivables and contract assets of approximately HK\$1.4 million during the year ended 31 March 2022.

Finance Costs

The Group's finance costs slightly decreased by approximately HK\$0.3 million, or approximately 18.6%, from approximately HK\$1.6 million for the year ended 31 March 2021 to approximately HK\$1.3 million for the year ended 31 March 2022, as the effective interest rate decreased during the year ended 31 March 2022.

Income Tax (Expenses) Credit

The Group's income tax credit switched from approximately HK\$0.2 million for the year ended 31 March 2021 to income tax expense of approximately HK\$1.6 million for the year ended 31 March 2022. The Group had utilised accumulated tax losses to offset the assessable profits for the year ended 31 March 2022 and minimised the income tax exposure.

Net Profit and Net Profit Margin

The Group's net profit increased from approximately HK\$11.3 million for the year ended 31 March 2021 to approximately HK\$13.7 million for the year ended 31 March 2022. The increase in net profit was mainly due to increase in revenue and gross profit as mentioned above.

The Group's net profit margins were approximately 4.1% and 3.6% for the year ended 31 March 2022 and 2021 respectively, and the increase in net profit margin was mainly due to reasons illustrated above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The Group had normally funded its liquidity and capital requirements primarily through bank borrowings and net cash generated from operating activities.

Total Equity and Net Current Assets

The total equity of the Group mainly comprises share capital, share premium and reserves. The total equity of the Group as at 31 March 2022 was approximately HK\$156.3 million (2021: approximately HK\$156.5 million).

As at 31 March 2022, the Group's net current assets were approximately HK\$96.7 million (2021: approximately HK\$95.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cash and Cash Equivalents

As at 31 March 2022, the Group had cash and cash equivalents of approximately HK\$28.2 million (2021: approximately HK\$41.6 million).

Bank Borrowings

As at 31 March 2022, the Group had bank borrowings of approximately HK\$48.5 million carried at floating interest rate (2021: approximately HK\$35.9 million carried at floating interest rate).

Key financial ratios

| | 2022 | 2021 |
|---------------|-------|-------|
| Gearing ratio | 31.1% | 23.3% |
| Current ratio | 2.0 | 2.2 |

Gearing ratio: Gearing ratio is calculated based on the total debts (including all interest-bearing borrowings and loans, and lease liability) divided by the total equity as at the end of the reporting period.

Current ratio: Current ratio is calculated based on the total current assets divided by the total current liabilities.

Going forward, the Group expects to fund its future operations and expansion plans primarily with cash generated from business operations and bank borrowings.

PLEDGE OF ASSETS

As at 31 March 2022, the Group's banking facilities were secured by properties with net carrying amount of approximately HK\$51.1 million, prepayment and deposits paid for life insurance policies of approximately HK\$6.2 million and pledged bank deposits of approximately HK\$8.1 million.

As at 31 March 2021, the Group's banking facilities were secured by properties with net carrying amount of approximately HK\$52.7 million and pledged bank deposits of approximately HK\$8.1 million.

CAPITAL EXPENDITURE

During the year ended 31 March 2022, the Group acquired items of property, plant and equipment of approximately HK\$1.3 million (2021: approximately HK\$33.4 million).

CONTINGENT LIABILITIES

The Group provided guarantee of performance bonds in its ordinary course of business. As at 31 March 2022, the Group's contingent liabilities in relation to performance bonds were approximately HK\$12.8 million (2021: approximately HK\$10.4 million).

CAPITAL COMMITMENTS

The Group has no capital commitment as at 31 March 2022 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

Fluctuating Cash Flows Pattern

The Group may incur net cash outflows at the early stage of carrying out works when it is required to pay material costs and/or for subcontractors prior to receiving payment from customers. Customers will pay progress payments after works commenced and after such works have been certified by customers. Accordingly, the Group may experience net cash outflows to pay certain material costs and/or subcontractors' fees while the respective progress payments may not be received in the same periods. If during any particular period of time, there exists too many projects which require substantial cash outflows while the Group has significantly less cash inflows, the Group's cash flow position may be adversely affected.

Inaccurate Estimation on the Cost and Work Programme of Projects

As contracts from customers are normally awarded through successful tendering and acceptance of quotation offer, the Group needs to estimate the time and costs based on the tender documents or quotation requests provided by customers in order to determine the tender price or quotation. There is no assurance that the actual execution time and costs of the project would not exceed the Group's estimation.

The actual time taken and costs involved in completing contracts undertaken by the Group may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, additional variations to the work plans requested by customers, delays in obtaining any required permits or approvals, disputes with subcontractors or other parties, accidents, changes in Hong Kong government policies and customers' priorities and any other unforeseen problems and circumstances. Any of the aforementioned factors may give rise to delays in completion of works or cost overspend or even termination of projects by customers, which in turn may adversely affect the Group's profitability and liquidity.

Irregular Profit Margin

The Directors believe that the profit margin of each project significantly depends on various factors, such as the terms of the contracts, the length of the contractual period, scope of work, technical complexity, variation orders (if any), the efficiency of implementation of the contractual works and the general market conditions which are beyond the Group's control. As a result, the income flow and the profit margin of each project, which are largely dependent on the terms of the work contracts, may not be entirely regular and consistent and there is no assurance that the profitability of a project can be maintained or estimated at any level. If the profit margin of the project significantly deviates from the estimation of the Directors, the Group's financial position could be adversely affected.

Failure to Obtain New Projects

The Group provides materials and/or relevant installation services to customers generally on a project-by-project basis. The Group's revenue from projects is non-recurring in nature. It cannot be guaranteed that the Group will continue to secure new projects from customers after the completion of the existing awarded projects.

Currency Risk

Certain transactions of the Group are denominated in currencies which are different from the functional currency of the Group, namely, Hong Kong dollars, and therefore the Group is exposed to foreign exchange risk. Payments made by the Group for the settlement of its cost of sales and services are generally denominated in Hong Kong dollars, USD and EUR. Payments received by the Group from its customers are mainly denominated in Hong Kong dollars. The Group continues to monitor closely its exposure to currency movement and may take proactive measures where necessary.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Credit Risk – Contract Assets

Contract assets represent a large portion of the Group's assets. The carrying amount of the Group's contract assets of approximately HK\$117.5 million as at 31 March 2022 represents the maximum exposure to credit risk in relation to contract assets (2021: approximately HK\$74.6 million). In order to minimise the Group's credit risk exposure, the management of the Group is closely monitoring the contract assets and take follow up action if needed.

In assessing credit risk, the Company has taken into the following factors:

1. Recovery history of the counterparties;
2. Credit rating of the counterparties; and
3. Forward-looking factors of the market.

In addition, the Group has appointed an independent professional valuer in assessing the expected credit loss of contract assets as at 31 March 2022 to ensure impairment loss provided is adequate.

Subsequent to 31 March 2022 and up to 15 June 2022, approximately 22.2% of contract assets as at 31 March 2022 have been subsequently billed to the customers and approximately 16.6% of contract assets as at 31 March 2022 have been settled.

Customer Concentration Risk

During the year ended 31 March 2022, the Group's five largest customers in aggregate accounted for approximately 69.9% (2021: approximately 73.5%) of the Group's total revenue. The largest customer accounted for approximately 38.7% (2021: approximately 29.1%) of the Group's total revenue.

If there is a significant decrease in business engagements with the Group's major customers for whatever reasons, and Group is unable to obtain comparable business engagements as replacement, the financial conditions and operating results of the Group would be materially and adversely affected. Meanwhile, if any of the Group's five largest customers experiences any liquidity problems, it may result in delay or default of payments to the Group, which in turn would have an adverse impact on the cash flows and financial conditions of the Group.

Uncertainties in Business Environment

The reporting period has been a time of unprecedented changes in Hong Kong's social, political and economic environments which have created negative impact on many business sectors of the local economy including, inevitably, the construction and property development sectors. With the outbreak of the COVID-19 pandemic, the economy was severely disrupted by several waves of COVID-19 pandemic shutdowns. Even with the supportive government policies, such policies are one-off. The Group and its industry peers will face continued uncertainties in the Hong Kong market, as well as continued challenges from aggressive competition rises in labour costs, and delay in materials delivery from the Group's suppliers. Amidst this unusually adverse business landscape, the Group may continue to be adversely affected in terms of profitability and liquidity.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, including executive Directors, the Group had 32 full-time employees and 2 part-time employees (2021: 34 full-time employees and 2 part-time employees). The total staff costs incurred by the Group for the year ended 31 March 2022 were approximately HK\$19.2 million (2021: approximately HK\$17.9 million). The increase in staff costs was mainly due to increase in average number of staff.

Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The Group's employees are remunerated according to their job scope, responsibilities, and performance. Employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. Other staff benefits include the provision of retirement benefits and sponsorship of training courses.

The emoluments of Directors and senior management were reviewed by the Remuneration Committee of the Board, having regard to the remuneration paid by comparable companies, experience, responsibilities and performance of the Group, and approved by the Board.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2022. Save as disclosed under the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**") and under the section headed "Use of net proceeds from the Listing" in this report, there was no other plans for material investments or capital assets as at 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing will be utilised in accordance with the proposed applications set out under the section headed “Future plans and use of proceeds” in the Prospectus. The table below sets out the proposed applications of the net proceeds and actual usage up to 31 March 2022:

| Planned Use of net proceeds (as disclosed in the Prospectus) | Original | | Actual usage | Unutilised | Actual usage | Unutilised | Actual usage | Unutilised |
|--|---|--|---|---|---|---|---|---|
| | allocation of net proceeds (as disclosed in the Prospectus) | Re-allocation of unutilised net proceeds (Note) | during the six months ended 31 March 2021 | net proceeds as at 31 March 2021 | during the 6 months ended 30 September 2021 | net proceeds as at 30 September 2021 | during the 6 months ended 31 March 2022 | net proceeds as at 31 March 2022 |
| | HK\$ million | HK\$ million | HK\$ million | HK\$ million | HK\$ million | HK\$ million | HK\$ million | HK\$ million |
| Acquiring a property as a warehouse, workshop and showroom (Note) | 29.9 | 32.3 | 32.3 | - | - | - | - | - |
| Repayment of bank borrowings | 27.8 | - | - | - | - | - | - | - |
| Expanding capacity to undertake more projects | 14.0 | 1.6 | 1.6 | - | - | - | - | - |
| Expanding and strengthening the manpower | 7.4 | 2.6 | 1.3 | 1.3 | 1.1 | 0.2 | 0.2 | - |
| Refurbishment of the offices | 5.1 | - | - | - | - | - | - | - |
| Upgrading the information technology and project management systems | 2.8 | - | - | - | - | - | - | - |
| General working capital | 9.4 | - | - | - | - | - | - | - |
| Total | 96.4 | 36.5 | 35.2 | 1.3 | 1.1 | 0.2 | 0.2 | - |

Note: As disclosed in the announcement of the Company dated 27 August 2020 (the “**Announcement**”) and the circular of the Company dated 22 September 2020 (the “**Circular**”), the net proceeds of HK\$29.9 million allocated for acquiring a property (as disclosed in the Prospectus) would be used to finance the acquisition of Sun Warm Holding Company Limited (“**Sun Warm**”). The main asset of Sun Warm is a property located at Unit No. 06 and storeroom on 8th Floor, Eastern Centre, 1065 King’s Road, Quarry Bay, Hong Kong (the “**Property**”). Since the Property is already renovated and its information technology and project management systems remain in good condition, the acquisition of Sun Warm rendered the planned use of net proceeds towards the refurbishment of offices and upgrading of information technology and project management systems (as disclosed in the Prospectus) unnecessary. As disclosed in the Announcement and the Circular, such net proceeds has therefore be reallocated towards financing the remainder of the consideration and expanding the Group’s capacity to undertake more projects. The Group intends to apply the unutilised net proceeds in accordance with the table above.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company’s listed securities during the year ended 31 March 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Wing Cheung (“Mr. Lo”), aged 65, a controlling shareholder of the Company, has been the Chairman of the Board, an executive Director and Chief Executive Officer since June 2017. He is also the chairman of the Nomination Committee of the Company. He is the spouse of Ms. Fung Pik Mei and the father of Ms. Lo Pui Ying Janice.

Mr. Lo has over 40 years of experience in the construction industry in Hong Kong. He was the founder of the Group. He is primarily responsible for the Group’s overall management, strategic planning and business development activities. Under the management of Mr. Lo, the Group gradually expanded its business and became engaged as the main supplier of building materials to many significant residential and commercial developments in Hong Kong over the past three decades.

Ms. Fung Pik Mei (“Ms. Fung”), aged 61, a controlling shareholder of the Company, has been an executive Director since June 2017. She is the spouse of Mr. Lo and the mother of Ms. Lo Pui Ying Janice. Ms. Fung joined the Group as a director of Kwan Tai Engineering Co., Limited (one of the Group’s subsidiaries) in 1997 and was responsible for overseeing the day-to-day business operations of the Group, in particular the supervision of the project management team. Having been involved in the management of the Group for over 20 years, she has gathered extensive expertise within the industry, businesses of the Group and project management for all of the Group’s operations.

NON-EXECUTIVE DIRECTOR

Mr. Wan Ho Yin (“Mr. Wan”), aged 44, was appointed as a non-executive Director since June 2017 and is mainly responsible for advising the internal audit function of the Group. He is also a member of the Audit Committee of the Board.

Mr. Wan graduated with a Bachelor degree of Business Administration in Accounting from the Hong Kong Baptist University in 1999. He is a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants since 2003, and a member of Hong Kong Independent Non-Executive Director Association since May 2020. He has over 21 years of experience in audit and financial management. Since September 2014, he has been in the role of the chief financial officer and company secretary of Man King Holdings Limited (Stock Code: 2193), a company listed on the Main Board of the Stock Exchange.

Mr. Wan served as an independent non-executive director of Ganglong China Property Group Limited (Stock Code: 6968) from June 2020 to February 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS (“INEDS”)

Mr. Shu Wa Tung Laurence (“Mr. Shu”), aged 49, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is the chairman of the Audit Committee and also a member of the Remuneration Committee and Nomination Committee of the Board.

Mr. Shu graduated from Deakin University, Australia in 1994 with a Bachelor degree in Business majoring in Accounting. He is a member of Hong Kong Institute of Certified Public Accountants since 1997. He has completed a CFO Programme at China Europe International Business School in 2009, and he is a life member of the Hong Kong Independent Non-Executive Director Association since May 2019. Mr. Shu has over 25 years of experience in audit, corporate finance, and financial management. From July 2010 to July 2018, Mr. Shu served as the chief financial officer of Petro-king Oilfield Services Limited (Stock Code: 2178), a company listed on the Main Board of the Stock Exchange and Mr. Shu served as the chief financial officer of Brainhole Technology Limited (Stock Code: 2203), a company listed on the Main Board of the Stock Exchange from August 2018 to November 2019. Since September 2020, Mr. Shu has been serving as the chief financial officer of ContiOcean Environmental Tech Co. Ltd.

Mr. Shu is serving as an independent non-executive director of Chengdu Expressway Co., Ltd (Stock Code: 1785) since November 2016, Riverine China Holdings Limited (Stock Code: 1417) since November 2017, Goldstream Investment Limited (Stock Code: 1328) since December 2019 and Ternbray Industries International (Holdings) Limited (Stock Code: 0093) since April 2022.

Mr. Tam Wai Tak Victor (“Mr. Victor Tam”), aged 44, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board.

Mr. Victor Tam graduated from the University of Glamorgan (now known as the University of South Wales) with a degree of Bachelor of Arts in accounting & finance (first class honours) in 2001. He is a fellow member of the Association of Chartered Certified Accountants since 2010 and a member of the Hong Kong Institute of Certified Public Accountants since 2005. He has over 15 years of experience in the field of auditing, accounting and financial management. Since January 2013, Mr. Victor Tam is serving as the financial controller and company secretary of Differ Group Holding Company Limited (Stock Code: 6878), a company listed on the Main Board of the Stock Exchange.

Mr. Victor Tam is serving as an independent non-executive director of Shun Wo Group Holdings Limited (Stock Code: 1591) since September 2016, an independent non-executive director of GT Steel Construction Group Limited (Stock Code: 8402) since June 2017 and served as an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) from August 2017 to May 2019.

Mr. Tam Wing Lok (“Mr. WL Tam”), aged 46, was appointed as an independent non-executive Director since December 2017. He is responsible for providing independent advice to the Board. He is the chairman of the Remuneration Committee and also a member of the Audit Committee and Nomination Committee of the Board.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. WL Tam graduated with a Bachelor of Science in Surveying from the University of Hong Kong in 1998. He became a chartered quantity surveyor in Hong Kong in 2002. Mr. WL Tam subsequently obtained a Bachelor of Laws degree in 2003 from the Manchester Metropolitan University (in collaboration with the University of Hong Kong's School of Professional and Continuing Education) by long distance learning. In 2005, he obtained a Postgraduate Certificate in Laws from the City University of Hong Kong. In 2009, Mr. WL Tam further obtained a Master of Laws in Arbitration and Dispute Resolution from the University of Hong Kong. He became qualified as a solicitor in the courts of Hong Kong in 2013.

Since August 2013, Mr. WL Tam has been working as a solicitor at Wong and Lawyers (formerly known as Chan & Associates), where he provides construction related legal services to his clients.

SENIOR MANAGEMENT

Mr. Ho Shing Chak Stephen (“Mr. Ho”), aged 67, is the technical advisor of the Group. He joined the Group in April 2017 and is mainly responsible for providing technical advice including material detailing and components sourcing, project management and installation advice for projects contemplated and undertaken by the Group.

Mr. Ho obtained a Bachelor of Arts in Architectural Studies in 1977 and a Bachelor of Architecture in 1980 both from the University of Hong Kong. Mr. Ho has been a Registered Architect in Hong Kong since 1983 and is registered as an authorised person and a registered inspector under the Buildings Ordinance (Cap. 123 of the laws of Hong Kong). He has been a member and a fellow of The Hong Kong Institute of Architects since 1983 and 1999 respectively. Mr. Ho is also licensed as a class 1 registered architect in the PRC since 2005. Mr. Ho has more than 40 years of experience in architectural practice and project management.

Ms. San Ying Ton Nicole (“Ms. San”), aged 43, is the marketing manager of the Group. She joined the Group in January 2016 and is mainly responsible for the management of sales and marketing operations of the Group. Ms. San has over 10 years of experience in the sales and marketing of building materials. Ms. San ceased to be senior management since December 2021.

Ms. Lo Pui Ying Janice (“Ms. Lo”), aged 32, is the chief operating officer of the Group. She joined the Group in September 2016 as an administration manager and was promoted to her current position in December 2017 and is mainly responsible for overseeing the internal control policy in relation to the operational and administrative process of the Group.

Ms. Lo obtained a Bachelor of Science in Management and a Master of Science in Marketing & Strategy both from the University of Warwick in the United Kingdom in 2012 and 2013 respectively. She is a member of both the Chartered Governance Institute and Hong Kong Institute of Chartered Secretary since 2020.

Ms. Lo is the daughter of Mr. Lo and Ms. Fung, the executive Directors.

Mr. Chau Wing Wo (“Mr. Chau”), aged 38, is the financial controller of the Group and company secretary of the Company since April 2019. He joined the Group in April 2019 and is mainly responsible for overseeing the financial reporting and financial planning of the Group.

Mr. Chau obtained a Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong in 2007. He is a member of Hong Kong Institute of Certified Public Accountants since 2011. He has over 15 years of experience in the field of auditing and accounting.



CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 March 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from code provision C.2.1 of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules as disclosed below, the Company has adopted the CG Code as the Group’s corporate governance practices. In the opinion of the Directors, the Company has complied with the applicable code provisions under the CG Code during the year ended 31 March 2022 except the following:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer (“**CEO**”) should be separate and should not be performed by the same individual. However, the roles of the Group’s chairman and CEO are both performed by Mr. Lo Wing Cheung. Mr. Lo is currently the chairman of the Board and the CEO, responsible for strategic planning and management of the Group’s overall business and operations. Mr. Lo has been responsible for the overall management of the Group since it was founded in 1980. The Board believes that the current management structure enables the Company to make and implement business decisions swiftly and effectively, which promotes the Group’s development in line with its overall business direction. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired due to the diverse background and experience of the non-executive Director and independent non-executive Directors. Further, the audit committee (the “**Audit Committee**”), which consists of three independent non-executive Directors (“**INED(s)**”) and one non-executive Director, has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees including the Audit Committee, the Nomination Committee, and the Remuneration Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Composition

During the year ended 31 March 2022 and up to the date of this annual report, the composition of the Board is as follows:

Executive Directors:

Mr. Lo Wing Cheung (*Chairman*)
Ms. Fung Pik Mei

Non-Executive Director:

Mr. Wan Ho Yin

INEDs:

Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

To the best knowledge of the Directors, save and except that Ms. Fung is the spouse of Mr. Lo, there was no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

The biographies of the Directors are set out under the section headed “Biographical Details of Directors and Senior Management” of this annual report.

During the year ended 31 March 2022, the Company has been in compliance with the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three INEDs with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of INEDs representing at least one-third of the Board.

As each of the INEDs has confirmed his independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

All Directors, including the INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. INEDs are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards code provision C.1.5 of the CG Code requiring Directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity and the time involved to the Company, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

To ensure that independent views and input are available to the Board, the Company has established mechanisms including (i) strengthening the INEDs’ recruitment process to include criteria such as each candidates’ available time commitments and qualification; (ii) reviewing the number of INEDs on an annual basis; (iii) performing additional assessment or evaluation of INEDs’ contribution; and (iv) where necessary, engaging external independent professional advisors to assist performance of Directors’ duties. The Board reviews the implementation and effectiveness of the above mechanisms on an annual basis.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Each Director was provided with the necessary training and information to ensure that he/she has proper understanding of the responsibilities under the Listing Rules and the applicable law, rules and regulations. The Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills. The Company will continue to arrange suitable training and regular seminars to provide the Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

During the year ended 31 March 2022, all Directors pursued continuous professional development and relevant details are set out below:

| Name of Director | Types of Training |
|--------------------------------|---------------------------|
| Executive Directors: | |
| Mr. Lo | Attending Training Course |
| Ms. Fung | Attending Training Course |
| Non-Executive Director: | |
| Mr. Wan | Attending Training Course |
| INEDs: | |
| Mr. Shu | Attending Training Course |
| Mr. Victor Tam | Attending Training Course |
| Mr. WL Tam | Attending Training Course |

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has signed a service contract with the Company for a term of two years commencing from their respective date of appointment subject to termination as provided in the service contract.

Each of the non-executive Director and INEDs has signed an appointment letter with the Company for a term of two years commencing from their respective date of appointment.

The appointments of executive Directors, non-executive Director and INEDs are subject to the provisions of retirement and rotation of Directors under the articles of association of the Company (the “**Articles**”) and the applicable Listing Rules. The procedures and process of appointment, re-election and removal of Directors are set out in the Articles.

In accordance with article 16.18 of the Articles, at every annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to article 16.2 or article 16.3 of the Articles shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

NOMINATION POLICY

The Board has adopted the Nomination Policy with effect from 1 January 2019 which sets out the criteria, process and procedures for the Nomination Committee to recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider the following factors in assessing the suitability of the proposed candidate(s): (a) reputation for integrity; (b) accomplishment, experience and reputation in the industry and other relevant sectors; (c) commitment in respect of sufficient time, interest and attention to the Company's business; (d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience in assessing and selecting proposed candidates for directorship; (e) the ability to assist and support management and make significant contributions to the Company's success; and (f) compliance with the criteria of independence for the appointment of an independent non-executive director as required under the Listing Rules.

The following nomination procedures should be followed:

- The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee itself may also nominate candidates for consideration.
- In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.
- In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

BOARD MEETINGS, GENERAL MEETINGS AND ATTENDANCE OF DIRECTORS

The Company intends to hold Board meetings regularly, at least four times a year, and at approximately quarterly intervals.

Any Director who is not able to be present physically may participate at any Board meeting through electronic means of communication, such as telephone conference or other similar communication equipment, in accordance with the Articles.

Notice convening each regular Board meeting is sent at least 14 days in advance, and reasonable notice is given for other Board meetings. The company secretary of the Company assists the Chairman of the Board to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director not less than 3 days before the date of a Board meeting to enable the Directors to make informed decisions on the matters to be discussed, except when a Board meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Minutes of Board meetings are recorded in sufficient details regarding the matters considered by the Board at the meeting and decisions reached. Draft minutes of board meetings are circulated to the Directors for review and the signed minutes are kept by the Company Secretary and open for inspection to any Director on request.

Each Director is expected to give sufficient time and attention to the affairs of the Company. The individual attendance records of each Director at the meetings of the Board and the Board Committees and the annual general meeting of the Company held during the year ended 31 March 2022 are set out below:

| Directors | No. of Meetings attended/ No. of Meetings held during the Director's tenure of office | | | | |
|-------------------------------|--|---------------------------|--------------------|-------------------------|------------------------------|
| | Board | Remuneration Committee | Audit Committee | Nomination Committee | Annual General Meeting |
| Executive Directors | | | | | |
| Mr. Lo | 7/8 | 2/2 | N/A | 1/1 | 1/1 |
| Ms. Fung | 7/8 | N/A | N/A | N/A | 1/1 |
| Non-executive Director | | | | | |
| Mr. Wan | 8/8 | N/A | 2/2 | N/A | 1/1 |
| INEDs | | | | | |
| Mr. Shu | 8/8 | 2/2 | 2/2 | 1/1 | 1/1 |
| Mr. Victor Tam | 8/8 | 2/2 | 2/2 | 1/1 | 1/1 |
| Mr. WL Tam | 8/8 | 2/2 | 2/2 | 1/1 | 1/1 |

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to the executive Directors, non-executive Director and INEDs, who have confirmed that they have complied with the Model Code for the year ended 31 March 2022.

BOARD COMMITTEES

The Board has set up three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs.

Audit Committee

The Company's Audit Committee was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT (CONTINUED)

As at 31 March 2022, the Audit Committee comprised three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one non-executive Director, namely Mr. Wan. Mr. Shu is currently the chairman of the Audit Committee. Mr. Shu possesses the appropriate accounting qualifications and experiences in financial matters. The Company has complied with rule 3.21 of the Listing Rules in that the Audit Committee must comprise a minimum of three members and must be chaired by an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise as required in rule 3.10(2) of the Listing Rules.

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the auditor's report, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee risk management and internal control systems and internal and external audit functions.

The Audit Committee makes arrangement for holding at least two meetings and meeting external auditors twice to discuss the audit plan and to review the Company's annual report and accounts during each financial year. During the year ended 31 March 2022, the Audit Committee held two meetings to conduct the following works:

- 1) reviewed the audited consolidated financial statements, annual results announcement and annual report of the Group for the year ended 31 March 2021;
- 2) reviewed the unaudited consolidated financial statements, interim results announcement and interim report of the Group for the six months ended 30 September 2021;
- 3) reviewed and considered the independence, objectivity and the effectiveness of the audit/interim review process;
- 4) reviewed and considered the financial controls, risk management and internal control systems; and
- 5) reviewed and considered adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function.

It is confirmed that there is no disagreement between the Board and the Audit Committee's view on the re-appointment of external auditors, and they both have agreed to recommend the re-appointment of SHINEWING (HK) CPA Limited ("**SHINEWING**") as the Company's external auditor for the ensuing year at the 2022 annual general meeting of the Company.

Remuneration Committee

The Company's Remuneration Committee was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange, and consists of a majority of INEDs. The purpose of the Remuneration Committee is to set policy on the remuneration of executive Directors' and senior management and for fixing remuneration packages for all Directors and senior management.

The main responsibility of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and structuring for Directors and senior management and their remuneration package with reference to the Group's corporate goals and strategies. As at 31 March 2022, the Remuneration Committee comprised three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one executive Director, namely Mr. Lo. Mr. WL Tam is the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Remuneration Committee meets at least once a year to review the remuneration of each Director and make recommendations to the Board. The Remuneration Committee held two meetings during the year ended 31 March 2022 for reviewing and making recommendations to the Board on discretionary bonus of Executive Directors and senior management of the Group for the year ended 31 March 2022, and reviewing and making recommendations to the Board on the remuneration package of Directors and senior management of the Group for the year ended 31 March 2022.

Executive Directors and senior management of the Company are entitled to discretionary performance-related bonus payments which are determined with reference to the Group's operating results and their respective individual performance. Particulars of the remuneration payable to each Director for the year ended 31 March 2022 are set out in note 12 to the financial statements of this annual report.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the senior management (excluding the Directors) by band for the year ended 31 March 2022 is set out below:

| Within the band of | Number of individuals |
|--------------------------------|------------------------------|
| Nil to HK\$1,000,000 | 3 |
| HK\$1,000,001 to HK\$1,500,000 | 1 |

Nomination Committee

The Company's Nomination Committee consists of a majority of INEDs. It was established on 17 January 2018 with specific written terms of reference stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange.

As at 31 March 2022, the Nomination Committee comprised three INEDs, namely Mr. Shu, Mr. Victor Tam and Mr. WL Tam, and one executive Director, namely Mr. Lo. Mr. Lo is the chairman of the Nomination Committee.

One of the major duties of the Nomination Committee includes reviewing the structure, size and diversity of the Board at least annually. It is believed that a truly diverse board will include and make good use of the differences in the skills, background, experience, knowledge, expertise and other qualities of members of the board. The other duties of the Nomination Committee include making recommendations on any proposed changes to the Board, identifying individuals suitable and qualified to become Directors and making recommendations to the Board on the selection of individuals nominated for directorships.

The Nomination Committee meets at least once a year. The Nomination Committee held one meeting during the year ended 31 March 2022 to conduct the following works:

- 1) reviewed the structure, size and composition of the Board;
- 2) reviewed the Board Diversity Policy;
- 3) reviewed the Nomination Policy;
- 4) reviewed the independence of independent non-executive Directors and time commitment of Directors; and
- 5) making recommendations to the Board on re-appointment of Directors.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Diversity Policy

The Company had adopted a Board diversity policy which aims to set out the approach to achieve the diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

For the purpose of implementation of the Board Diversity Policy, the following are the measurable objectives:

- 1) at least one third of the Directors shall be independent non-executive Directors;
- 2) at least one Director is female;
- 3) at least one Director shall have obtained accounting or other professional qualifications;
- 4) commitment in respect of available time and relevant interest of Director; and
- 5) accomplishment and experience in different industries.

During the year ended 31 March 2022, the measurable objectives have been fulfilled by the Company.

The Board has achieved gender diversity as it currently has one female executive Director. The Board will maintain at least one female Director to be a member of the Board. To develop a pipeline of potential successors to the Board to achieve gender diversity, the Company has adopted relevant hiring policies for considering candidates of senior management positions which would take into account diversity perspectives including gender diversity.

As at 31 March 2022, the ratio of male and female in the workforce (including the executive directors and senior management) is 47% and 53%, respectively.

As such, the Company's workforce (including the executive directors and senior management) has achieved gender diversity between males and females. The Company would continue to take into account of diversity perspectives including gender diversity in its hiring.

CORPORATE GOVERNANCE REPORT (CONTINUED)

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions set out in code provision A.2.1 of the CG Code:

- 1) to formulate and review the Group's corporate governance policies and practices;
- 2) to review and oversee the training and continuous professional development of Directors and senior management of the Group;
- 3) to review and oversee the Group's policies and practices in compliance with any requirements, guidelines and rules that may be imposed by the Board or which may be incorporated into any constitutional documents of the Group or which may have been provided by the Listing Rules, applicable laws and other regulatory requirements as well as by applicable institutional governance standards;
- 4) to formulate, review and oversee the code of conduct and the compliance handbook (if any) of the employees and Directors of the Group; and
- 5) to review the Group's compliance with the CG Code as adopted by it from time to time and the disclosure in the Corporate Governance Report as set out in the annual reports of the Company.

DIRECTORS' AND AUDITORS RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that the appropriate accounting policies are selected and applied consistently. The reporting responsibilities of the Company's external auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 52 to 56 of this annual report. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

On 19 December 2017, controlling shareholders of the Company, namely Mr. Lo Wing Cheung, Ms. Fung Pik Mei and Helios Enterprise Holding Limited (collectively the "**Controlling Shareholders**") have executed the deed of non-competition (the "**Deed of Non-competition**") in favour of the Company. As confirmed by the Controlling Shareholders, they have not engaged in any business which competed or might compete with the business of the Group and they have complied with the undertakings given under the Deed of Non-competition in respect of the year ended 31 March 2022. The INEDs further confirmed that they have reviewed the terms of the Deed of Non-Competition and considered the compliance status of the same by the Controlling Shareholders and are satisfied that the Controlling Shareholders have complied with the terms of the Deed of Non-Competition throughout the year ended 31 March 2022.

CORPORATE GOVERNANCE REPORT (CONTINUED)

AUDITOR'S REMUNERATION

During the year, the Group's external auditors, SHINEWING, and its affiliated firm, provided assurance service and non-assurance service to the Group. Details of the fees paid/payable to SHINEWING and its affiliated firm during the year ended 31 March 2022 are as follows:

| | HK\$ |
|-----------------------|-----------|
| Assurance service | 780,000 |
| Non-assurance service | |
| – Interim review | 280,000 |
| – Taxation | 26,700 |
| | 1,086,700 |

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing the effectiveness of such systems through the Audit Committee on an annual basis. The Audit Committee assists the Board in fulfilling its oversight and corporate roles in the Group's financial, operational, compliance, risk management and internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board and the Audit Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage, rather than to eliminate the risk of failure to achieve the Group's business objectives.

The Group has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

The Group has an internal audit function which is primarily responsible for developing various internal control manuals and procedures, conducting reviews on the key operational processes and the related internal controls to ensure compliance with the Group's risk management and internal control policies and procedures.

During the year ended 31 March 2022, the Group appointed Zhonghui Anda Risk Services Limited (“**Zhonghui**”) to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

The Audit Committee has also reviewed and is satisfied with the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function.

Procedures and Controls over Handing and Dissemination of Inside Information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance (the "SFO") and the Listing Rules. An Inside Information Policy has been established to lay down guidelines on definition of inside information, compliance and reporting mechanism of inside information. All members of the Board, senior management, and staff who are likely to possess inside information are strictly bound by this policy. Staff who have access to inside information are required to keep such unpublished inside information confidential until relevant announcement is made. Failure to comply with such requirements may result in disciplinary actions.

COMPANY SECRETARY

The role of the company secretary of the Company was performed by Mr. Chau. The company secretary is responsible for facilitating the Board's communications among Board members, the Shareholders and the management of the Company and ensuring the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. Chau has confirmed that he took not less than 15 hours of relevant professional training during the year ended 31 March 2022 in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.kwantaieng.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In addition to publication of information, the annual general meeting of the Company provides a forum for communication between Shareholders and Directors. The chairman of the Board in person chairs the annual general meeting to ensure Shareholders' views are communicated to the Board. Moreover, the briefing on the Company's business and the questions and answers session at the annual general meeting allow Shareholders to stay informed of the Group's strategies and goals.

After the Board has reviewed the implementation and effectiveness of the Shareholders' communication policy including steps taken at the annual general meeting and the handling of queries received (if any) which were conducted during the year ended 31 March 2022, the Shareholders' communication policy was found to be effective and adequate.

SHAREHOLDERS' RIGHTS

The Group is mindful of Shareholders' interest to ensure that they are treated fairly and are able to exercise their Shareholders' rights effectively. Shareholders' rights are entitled by the Articles and Shareholders are also encouraged to participate in the Company's general meetings.

Convening of Extraordinary General Meeting

In accordance with the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting (the "EGM") to be called by the Directors for the transaction of any business specified in such requisition. Such requisition shall be made in writing to the Board or the company secretary of the Company which is situated at Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of the proposal (the "Proposal") with his/her/its detailed contact information at the Company's headquarters and principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's Hong Kong branch share registrar at their respective address.

The request will be verified with the Company's Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

CORPORATE GOVERNANCE REPORT (CONTINUED)

POLICY ON PAYMENT OF DIVIDENDS

The Board has adopted the policy with effect from 1 January 2019 that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Company currently does not have any pre-determined dividend distribution ratio and may declare dividends by way of cash or scrip or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

- (a) the Group's financial results;
- (b) the shareholders' interests;
- (c) general business conditions, strategies and future expansion needs;
- (d) the Group's capital requirements;
- (e) the payment by its subsidiaries of cash dividends to the Company;
- (f) possible effects on liquidity and financial position of the Group; and
- (g) other factors as the Board may consider appropriate.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2022, there was no significant change in the Company's constitutional documents.



REPORT OF THE DIRECTORS

The Board presents to the Shareholders this annual report together with the audited financial statements of the Company and the Group for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements. There was no significant change in the Group's principal activities during the year ended 31 March 2022.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57.

Interim dividend of HK0.75 cents per ordinary share, amounting to HK\$6,000,000 was paid to the shareholders of the Company during the year ended 31 March 2022 (2021: nil).

The Board recommends the payment of a final dividend of HK0.5 cents per ordinary share for the year ended 31 March 2022, amounting to HK\$4,000,000 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 7 September 2022. The proposed final dividend is subject to approval by shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 24 August 2022.

CHARITABLE DONATIONS

Charitable donations of HK\$70,000 have been made by the Group during the year ended 31 March 2022 (2021: nil).

DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company had reserves which amounted to approximately HK\$142.7 million (2021: HK\$145.1 million) available for distribution as calculated based on the Company's share premium, other reserves and retained earnings/(accumulated losses) under applicable provisions of the Companies Law in the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2022 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year ended 31 March 2022 in the share capital of the Company are set out in note 29 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities during the year ended 31 March 2022.

GROUP 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 126. This summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

BUSINESS REVIEW

The review of the business of the Group during the year ended 31 March 2022 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties faced by the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

Relationship with Key Stakeholders

The Group's success depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

The Group is committed to establish a close and caring relationship with its employees. The Group provides a fair and safe workplace, promotes diversity to staff and provides competitive remuneration, benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to employees so that they can keep abreast of the latest development of the market and the industry, and improve their performance and self-fulfillment in their respective positions.

Customers and suppliers

The major customers of the Group include some of the major main contractors in Hong Kong. Many of the Group's five largest customers and suppliers have established long term business relationship with the Group. The Directors believe that such long-term relationships represent confidence and trust from business partners and acknowledgement of the Group's ability.

The Group recognises the importance of maintaining good relationships with customers, suppliers and subcontractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with business partners when appropriate.

During the year ended 31 March 2022, the Group's five largest customers in aggregate accounted for approximately 69.9% (2021: approximately 73.5%) of the Group's total revenue. The largest customer accounted for approximately 38.7% (2021: approximately 29.1%) of the Group's total revenue.

During the year ended 31 March 2022, the Group's five largest suppliers in aggregate accounted for approximately 49.7% (2021: approximately 45.1%) of the Group's total cost of sales and services. The largest supplier accounted for approximately 16.8% (2021: approximately 20.2%) of the Group's total cost of sales and services.

During the year ended 31 March 2022, the Group's five largest subcontractors in aggregate accounted for approximately 38.8% (2021: approximately 39.1%) of the Group's total cost of sales and services. The largest subcontractors accounted for approximately 14.5% (2021: approximately 24.1%) of the Group's total cost of sales and services.

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



REPORT OF THE DIRECTORS (CONTINUED)

Environmental Policies

The environmental policies of the Group are set out in the section headed “Environmental, Social and Governance Report” of this annual report.

Compliance with Relevant Laws and Regulations

The Directors confirmed that during the year ended 31 March 2022 and up to the date of this annual report, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in the jurisdictions which the Group operates.

DIRECTORS

The Directors of the Company during the year ended 31 March 2022 and up to the date of this report were:

Executive Directors

Mr. Lo Wing Cheung (*Chairman*)

Ms. Fung Pik Mei

Non-executive Director

Mr. Wan Ho Yin

INEDs

Mr. Shu Wa Tung Laurence

Mr. Tam Wai Tak Victor

Mr. Tam Wing Lok

Information regarding Directors’ emoluments are set out in note 12 to the consolidated financial statements.

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

In accordance with article 16.2 of the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Pursuant to article 16.18 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Accordingly, Mr. Lo and Mr. Wan will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for a fixed term of 2 years and shall continue thereafter until terminated by not less than 3 months' written notice to the other party.

The non-executive Director and each of the INEDs has entered into a letter of appointment with the Company for a fixed term of 2 years. The appointment is subject to termination under certain circumstances as stipulated in the said letter of appointment, and the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Each of the executive Directors, non-executive Director and INEDs is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 March 2022.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year ended 31 March 2022.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his/her favour, or in which he/she is acquitted. The Company has also arranged appropriate liability insurance in respect of legal action against the Directors. The relevant provisions in the Articles and the aforesaid liability insurance was in force during the year ended 31 March 2022 and as of the date of this report.

REPORT OF THE DIRECTORS (CONTINUED)

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed “Share Option Scheme” below, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 March 2022.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2022, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (the “Shares”), or any of the associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

| Name of Director | Capacity/Nature of interest | Number of Shares held | Percentage of shareholding |
|-------------------------------|--|-----------------------|----------------------------|
| Mr. Lo Wing Cheung (“Mr. Lo”) | Interest in a controlled corporation (Note) | 588,000,000 | 73.50% |
| Ms. Fung Pik Mei (“Ms. Fung”) | Interest in a controlled corporation (Note) | 588,000,000 | 73.50% |
| Mr. Wan Ho Yin | Beneficial owner | 88,000 | 0.01% |

Note: These 588,000,000 Shares are held by Helios Enterprise Holding Limited (“Helios”), a company incorporated in the BVI and owned as to 70% by Mr. Lo and 30% by Ms. Fung. Therefore, Mr. Lo and Ms. Fung are deemed to be interested in all the Shares held by Helios for the purposes of the SFO.

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporation (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 was taken or deemed to have under provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS (CONTINUED)

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

So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the Shares, the underlying Shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

| Name of Shareholder | Capacity/Nature of interest | Number of Shares held (L) | Percentage of shareholding |
|---------------------|-----------------------------|---------------------------|----------------------------|
| Helios | Beneficial owner | 588,000,000 | 73.5% |

Note: The letter "L" denotes long position in the Company's Shares.

Save as disclosed above, as at 31 March 2022, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 19 December 2017. From the date of the adoption of the Share Option Scheme and up to the end of the reporting period, no share option has been granted, or agreed to be granted, under the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward its employees, Directors and other selected participants for their contributions to the Group.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option, to any Director(s) (including executive Directors, non-executive Director and INEDs) and employee(s) of any member of the Group and any advisers, suppliers, customers, business partners of any member of the Group who the Board considers, in its absolute discretion and on such terms as it deems fit, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme.

REPORT OF THE DIRECTORS (CONTINUED)

3. Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any participant as the Board may in its absolute discretion select. The offer shall specify the terms on which the option is granted. Such terms may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed) either on a case by case basis or generally.

4. Payment on acceptance of option offer

An offer shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. HK\$1.00 is payable by the participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme (the “Grantee”) to the Company on acceptance of the offer of the option.

5. Subscription price

The subscription price shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant;
- (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than 5 business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the offer of new Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and
- (c) the nominal value of a Share on the date of grant.

6. Option period

The period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

REPORT OF THE DIRECTORS (CONTINUED)

7. Maximum number of Shares subject to options

- (a) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time;
- (b) The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 80,000,000 Shares, representing 10% of the aggregate of the Shares in issue on the Listing Date (the “**General Scheme Limit**”);
- (c) The Company may refresh the General Scheme Limit at any time subject to prior Shareholders’ approval. However, the General Scheme Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed;
- (d) The Company may also seek separate Shareholders’ approval for granting options beyond the General Scheme Limit to participants specifically identified by the Company before the aforesaid Shareholders’ meeting where such approval is sought;
- (e) The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”). Any further grant of options to a participant which would result in the Shares issued, and to be issued, upon exercise of all options granted, and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders’ approval in advance, with such participant and his close associates (or his associates if such participant is a connected person) abstaining from voting.

CONNECTED TRANSACTION

The Group had not entered into any transactions which constituted connected transactions (including continuing connected transactions) which is subject to annual review and disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 March 2022.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group during the year ended 31 March 2022 are continuing connected transactions which are exempted from the reporting, announcement, annual review and independent shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

Save for contract of service with the Directors, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company’s business was entered into or subsisted during the year ended 31 March 2022.



REPORT OF THE DIRECTORS (CONTINUED)

COMPETING BUSINESS

During the year ended 31 March 2022, none of the Directors or the controlling shareholders of the Company and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Board on the basis of their merit, qualifications and competence. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a Share Option Scheme as an incentive to eligible persons, details are set out under the paragraph headed "Share Option Scheme" in this annual report.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENT OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float throughout the year ended 31 March 2022 as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save for disclosed elsewhere in this annual report, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2022 and up to the date of this annual report.

AUDITOR

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

On behalf of the Board

Twintek Investment Holdings Limited
Lo Wing Cheung
Chairman

Hong Kong, 23 June 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the Environmental, Social and Governance Report (the “**ESG Report**”) published by Twintek Investment Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”). In accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) set out in Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited, this report describes the initiatives and performance of the Group with regard to the issues identified during the year ended 31 March 2022.

This ESG Report summarises the environmental, social and governance (“**ESG**”) initiatives, plans and performances of the Group.

The Board acknowledges its responsibility for ensuring the integrity of the ESG Report. The Group is committed to develop sustainability in accordance with the ESG management principles by building the Group as an open, transparent and fair enterprise with due consideration of the environmental and social responsibilities with its business objectives, planning and operation. We will keep working towards achieving long-term sustainable growth of our business while safeguarding stakeholders’ interests.

REPORTING SCOPE AND PRINCIPLES

This ESG Report focuses on the operation of the Group’s business segment of sales of building materials and provision of construction and engineering services (i.e. construction contracts). The information published in this ESG Report covers the period from 1 April 2021 to 31 March 2022, unless otherwise stated, which is the same as the financial year covered in the Group’s annual report for the year ended 31 March 2022.

This report is prepared in accordance with the following reporting principles:

- **Materiality:** The Group identified key ESG topics through stakeholder engagement and materiality assessment, which has been disclosed in this ESG Report;
- **Balance:** The ESG Report presented the Group’s environmental and social performance in an unbiased manner;
- **Quantitative:** Information on the standards, methodologies and source of conversion factors used for the reporting of emission and energy consumption has been disclosed in this ESG Report;
- **Consistency:** The methodology for disclosing key environmental performance indicators is consistent with that of the previous year.

The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data are extracted from or calculated based on the Group’s audited annual financial statements for the year ended 31 March 2022. The ESG report has been reviewed and approved by the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The long-term success of the Group is built upon commitment with responsibility towards stakeholders. The Directors also believe that it is essential for the Group to be environmentally responsible and to meet customers' demands in environmental protection and at the same time meeting the community's expectation for a healthy living and working environment. Communication with various stakeholders allow the Group to have a better understanding on stakeholders' needs and expectations with its business practice and manage different stakeholders' opinions. The Group constantly communicates with key internal and external stakeholders via various channels. This ensures that they have the opportunity to learn about the Group's development and operation directions and offers the Group an opportunity to listen to them in order to identify the issues and develop corresponding policies.

The below table highlights the key stakeholders and the communication channels:

| Major stakeholder groups | Requirements and expectation | Response and key communication channels |
|------------------------------|--|---|
| Shareholders and investors | Steady returns Operation compliance Transparency and effective communication | Annual general meeting Regular corporate publications including financial statements Circulars and announcements whenever necessary Emails, telephone conversation and company website |
| Employees | Protection of rights Occupation health Remuneration and benefits Career development | Internal meetings whenever needed Email communication Training and workshop Performance review |
| Suppliers and subcontractors | Operate with integrity Equal rivalry Performance of contracts | Meetings On-site audit Management system |
| Customers | Outstanding products and services Health and safety Performance of contracts Operate with integrity | Setup customer service hotline Meeting with customers Hold marketing and promotion activities Regular update company website |
| Media and the public | Corporate governance | Issue of announcement and update company website |
| Community | Enhancement of community environment Participation in charity | Community activities Charitable activities like donations ESG reports |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Materiality Assessment

Through stakeholder engagement processes based on the aforementioned channels, the Group has conducted a comprehensive materiality assessment with its stakeholder groups to identify corresponding ESG issues with reference to the ESG Reporting Guide, and assess their materiality to the Group's operations.

- Step 1 identify: the Group carries out an initial screening of the ESG Reporting Guide to identify the material sustainability issues.
- Step 2 prioritise: the Group invites internal and external stakeholders to rank and the materiality of the issues identified in Step 1. Results of the stakeholder engagement are compiled and analysed.
- Step 3 analyse: the Group's senior management discusses the results of Steps 1 and 2 for analysing and confirming the list of material issues to be disclosed in this Report.
- Step 4 review: the Group regularly reviews sustainability issues and their corresponding impact on the Group's operations to ensure relevance and materiality to the Group on a continuous basis.

For the current year, the material ESG issues identified by the Group and its stakeholders are as below:

| Subject area | Most material aspects within the subject area |
|--|--|
| Social – Operating practices | Ensuring service and product quality Protecting customers' personal data |
| Social – Employment and labour practices | Providing a safe working environment Ensuring employees' occupational health and safety |
| Environmental | Focusing on enhancing products with eco-friendly elements |

The Group is committed to monitor the above aspects and will continue to keep close communication with its stakeholders for better ESG performance, and more effective ESG risk management and internal control system.

ENVIRONMENTAL

The Group is committed to minimising negative impact caused by its operations on the environment.

With the understanding that the establishment of organisation and management approach for internal environmental management is crucial towards sustainable development, the Group has developed a system under the Environmental Management System Manual by reference to ISO 14001 for the supply and installation of the Group's products of timber flooring and gypsum blocks. The system defined the Group's commitment, policies, objectives, division of responsibilities, control procedures and monitoring and auditing systems in environmental management. The Group has been awarded the ISO 14001:2015 certification since 2019. Environmental policies have been communicated to all personnel concerned within the organisation to ensure that all are aware of the relevance and importance of their activities and how they contribute to the achievement of the environmental objectives under their respective functions and the organisation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Emissions

Air Emissions

The major source of the Group's air pollutants was private cars use, involving air emissions of Nitrogen Oxides, Sulphur Oxides and Respirable Suspended Particles. With the increase in business activities during the year ended 31 March 2022, the air emissions increased accordingly.

| Air pollutants | 2022 Total Emission (kg) | 2021 Total Emission (kg) |
|--|--------------------------------|--------------------------------|
| Nitrogen Oxides ("NO _x ") | 7.59 | 6.79 |
| Sulphur Oxides ("SO _x ") | 0.11 | 0.12 |
| Respirable Suspended Particles ("RSP") | 0.56 | 0.50 |

Greenhouse Gas ("GHG") emissions

The Group generates direct GHG through burning of petrol from its use of private cars. Indirect GHG emissions are generated from purchased electricity and purchases of gypsum block products from Germany by vessels.

A total of 4,519.5 tonnes CO₂-e GHG were emitted for the year ended 31 March 2022. Compared to 4,805.6 tonnes CO₂-e GHG were emitted for the year ended 31 March 2021, the decrease in CO₂-e GHG emitted is directly related to the bulk purchase of the gypsum block products so as to decrease the number of shipments. The table below summarises the scope and activities of GHG emissions for the years ended 31 March 2022 and 2021.

| Scope | Activity | 2022 | | 2021 | |
|---------|---|---|-------|---|-------|
| | | GHG emission (tonnes CO ₂ -e) | % | GHG emission (tonnes CO ₂ -e) | % |
| Scope 1 | Direct emissions – Consumption of petrol | 19.7 | 0.4 | 21.4 | 0.4 |
| Scope 2 | Energy indirect emissions – Purchased electricity | 40.4 | 0.9 | 46.5 | 1.0 |
| Scope 3 | Other indirect emissions – Shipping of gypsum block products from Germany | 4,459.4 | 98.7 | 4,737.7 | 98.6 |
| | Total | 4,519.5 | 100.0 | 4,805.6 | 100.0 |

The Group has implemented measures to reduce energy consumption. Such measures will be described in "Use of Resources". Through the implementation of such measures, the employees' awareness of reducing GHG emissions has been increased.

Waste

To the best of the Group's knowledge, the Group did not generate any hazardous waste during the year ended 31 March 2022. Non-hazardous waste including domestic garbage and office paper arises in the Group's daily office operations.

The Group did not note a disproportional amount of non-hazardous waste produced. The Group endeavours to extend the scope of disclosure of other non-hazardous waste produced when the data collection process matures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group places great effort in raising the awareness of its employees on the importance of reducing waste production and has adopted the environmentally friendly measures to enhance its performance in this regard. Such measures will be described in “Use of Resources”. Employees’ awareness of reducing waste production has increased as a result of these implementations.

Use of Resources

The Group used a wide range of resources including electricity for daily operations and fuel consumption from private car use. For energy use, purchased electricity was the largest type of energy end-use, mainly for electrical appliances at the Group’s headquarters.

The consumption data and consumption intensity for the years ended 31 March 2022 and 2021 are summarised below:

| Use of resources | 2022 | | 2021 | |
|--------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | Consumption | Intensity (per employee) | Consumption | Intensity (per employee) |
| Electricity | 51,126 kWh/m ² | 1,503.71 kWh/m ² | 58,829 kWh/m ² | 1,634.14 kWh/m ² |
| Petrol | 7,266.6 litres | 213.72 litres | 7,906.1 litres | 219.6 litres |
| Water | 162 m ³ | 4.76 m ³ | 315 m ³ | 8.8 m ³ |
| Packaging material | Nil | Nil | Nil | Nil |

The Group recognises that a core component of maintaining sustainable development is to manage its use of resources. Hence, the Group has adopted various measures to reduce the wastage of resources:

| Resources | Measures |
|-----------|---|
| Energy | <ul style="list-style-type: none"> Switch off electrical appliances and systems when not in use Select and procure high energy efficiency equipment certified with grade 1 energy labels by the Electrical and Mechanical Services Department |
| Paper | <ul style="list-style-type: none"> Maintain and repair electrical appliances regularly Set up recycling points to collect used paper Encourage use of both sides of paper |
| Water | <ul style="list-style-type: none"> Monitor water consumption regularly for any irregularities Repair dripping faucets in a timely manner |

During the year ended 31 March 2022, the Group has participated in the Energy Saving Charter 2021 organised by the Electrical and Mechanical Services Department and committed to maintain an average indoor temperature between 24–26°C during the summer months of June to September in 2021. The Group is also committed to switching off electrical appliances and systems when not in use and procuring energy efficient electrical appliances (such as Grade 1 energy labels) and systems, and encourages employees to adopt the above energy saving practices together.

The Group actively promotes the importance of water conservation to its employees. Through the implementation of above water-saving measures, employees’ awareness of water conservation has been increased. Due to the geographical location of the Group’s premises, the Group did not encounter any problem in sourcing water that was fit for purpose.

Due to the Group’s business nature, the use of packaging material was not considered to be a material ESG aspect to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Environment and Natural Resources

The Group is devoted to being environmentally friendly and is one of the responsible enterprises in the building and construction industry. To promote responsible management of the world's forests, the Group has obtained the certification issued by the Forest Stewardship Council (the "FSC") by encouraging the Group's customers to select FSC certified wood flooring products, wood doors and furniture. In addition, the Group's gypsum block product was certified as Green Building product with platinum rating under the Hong Kong Green Building Council Green Product Accreditation and Standards (HK G-PASS).

The Group is committed to continue focusing on enhancing its existing products with eco-friendly elements to demonstrate its determination on environmental protection and respond to the community's increasing concern on this topic.

Additionally, the Group will perform regular reviews to ensure emission and energy objectives are met and continue to encourage staff participation on environmental protection concept via workshops.

The Group is committed to monitoring and managing its environmental footprint. During the year ended 31 March 2022, the Group was not aware of any non-compliance or violation of environmental laws and regulations regarding emission and discharge from relevant Government authorities.

Climate Change

Climate change has been posing more challenges among all industries and its business operation, and the Group is committed to managing the climate-related risks and providing a low carbon working environment across its operation in order to mitigate the impact of climate change on its operations. Climate-related risks can be divided into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change. Below are potential climate-related risks to the Group's business:

| | Construction contracts | Sales of building materials |
|-------------------------------|--|---|
| Type of risks | Physical risk – acute risk | Transitional risk – policy and legal risk |
| Potential impacts to business | Extreme weather events, such as super typhoons and heavy rainstorms, may pose danger to our employees and subcontractors during work. Productivity may also be reduced due to the suspended operation or transportation difficulties | The existing and emerging requirements in policies and regulations may be more stringent related to climate change. The changes of policies may lead to higher operating costs |
| Mitigation plan | The Group will regularly review the existing risk management plan to tackle the crisis arising from extreme weather events due to climate change. The Group may adopt flexible working arrangements and employees may work from home in adverse weather conditions, if necessary | The Group will investigate the possibility of incorporating climate change considerations in its procurement process and encourage green purchase, i.e. purchase of building materials with low carbon, low embodied-energy and energy efficient products and materials |

During the year ended 31 March 2022, the Group was not aware of any significant climate-related issues which have affected the Group's operation.

EMPLOYMENT AND LABOUR PRACTICES

Working Environment

The Group has developed a working environment in which management and employees work together in a cooperative and responsible manner, striving to adopt the best social practices and maintain good employee relations.

Talent Management

The Group offers attractive remuneration package to its employees, including basic salary, bonus, medical insurance and other subsidies such as training and education. In addition to statutory holidays, the Group offers employees additional holiday/leave such as marriage leave, examination leave and compassionate leave. Compensation for occasional overtime work, by means of alternative leave or allowance, will also be granted. Unreasonable dismissal under any circumstances is strictly prohibited. Dismissal will be based on reasonable and lawful grounds supported by internal policies of the Group.

To retain and motivate employees, the Group offers career development opportunities to all of them. Specifically, the Group conducts annual appraisal for all employees as an indicator of their review of work performance.

The Group strives to maintain high standard of business ethics and employee's good personal conduct. The Group's employee handbook and internal control manual are readily accessible to all employees.

Equal Opportunity and Anti-discrimination

The Group strove to optimise the system of human resources management to promote fairness and equality within the workplace, human resources policy has been established to ensure there is no discrimination on the grounds of age, gender, marital status, family status, sexual orientation, disability, ethnic group, nationality or religion. In accordance with our human resource policy, the above factors are not considered in the decision-making process of employment, remuneration, and promotion.

The Group would ensure strict compliance with all relevant regulatory standards, particularly the Employment Ordinance and Employees' Compensation Ordinance, and the Directors confirm that the Group has no material non-compliance in respect of the applicable labour laws and regulations in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

As at 31 March 2022, including the executive Directors, the Group has a total of 34 employees (2021: 36) in Hong Kong. The formation of our staff was as follows:

| Year | | 2022 | 2021 | |
|----------------------|-----------------|----------|------|----|
| Number of work force | Total employees | 34 | 36 | |
| | By age group | Below 30 | 3 | 5 |
| | | 30–50 | 19 | 19 |
| | | Over 50 | 12 | 12 |
| | By gender | Male | 16 | 17 |
| | | Female | 18 | 19 |
| By work hours | Full-time | 32 | 34 | |
| | Part-time | 2 | 2 | |

| Year | | 2022 | 2021 | |
|----------|--------------|----------|------|---|
| Turnover | Total | 4 | 8 | |
| | By age group | Below 30 | 1 | 2 |
| | | 30–50 | 3 | 4 |
| | | Over 50 | – | 2 |
| | By gender | Male | 2 | 4 |
| Female | | 2 | 4 | |

| Year | | 2022 | 2021 | |
|----------------|--------------|----------|------|---|
| New Employment | Total | 2 | 11 | |
| | By age group | Below 30 | 1 | 2 |
| | | 30–50 | 1 | 7 |
| | Over 50 | – | 2 | |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Health and Safety

The Group adopts a policy for maintaining a healthy and safe working environment to the employees of the Group and subcontractors, and has established effective occupational health and safety (“OHS”) measures under the OHSAS 18001 certification. The OHS management system applies to office and site employees, as well as subcontractors to ensure comprehensive and effective OHS management across value chain.

To achieve the purposes and principles above, the Group will continue to:

- Comply with all local health, safety and environmental legislation as a minimum.
- Identify and evaluate all health, safety and environmental hazards and establish controls and techniques to manage risk to acceptable levels.
- Establish and update, as appropriate, health, safety and environmental practices relevant to the impact of the Group’s activities in order to drive and demonstrate continual improvement.
- Initiate develop, record, measure and communicate progress on health and safety performance throughout the organisation.
- Require our contractors to also comply with all site health, safety and environmental requirements and work with our partners to achieve comparable health, safety and environmental standards.
- Provide resources in line with the priority the Company places on health and safety.
- Regular review of the OHS policies.

Construction Site Safety Measures and Practices

To prevent accidents leading to work-related injuries at construction site, safety measures and practices are implemented to control and eliminate risks of all kinds which include the provision of personal protective equipment and the establishment of safety working procedures. Personal protective equipment is also distributed to the Group’s employees as well as employees of the Group’s subcontractor. The Group’s project coordinators are responsible for ensuring proper use and maintenance of the equipment.

Office Safety Measures

At the Group’s office, indoor air purification system has been installed to maintain the optimal level of indoor air quality for the Group’s employees.

Specific OHS Measure against COVID-19

As a specific OHS measure to minimise the impact of COVID-19 over the Group’s employee’s health, the Group adopted several preventive measures, including but not limited to (i) flexible working hours and work from home arrangement, (ii) taking strict measures on disinfection and cleaning of the Group’s office, (iii) closely monitoring the Group’s employee for signs and symptoms of COVID-19, (iv) providing regular check-up and daily rapid antigen test to staff, and (v) providing free disinfecting products and equipment to employees.

| OHS statistics | Year ended 31 March | |
|-----------------------------------|---------------------|------|
| | 2022 | 2021 |
| Number of lost days due to injury | Nil | Nil |
| Number of work-related fatalities | Nil | Nil |
| Number of work injuries | 2 | Nil |

During the year ended 31 March 2022, the Group was not aware of any reportable accident on construction sites or any non-compliance with laws and regulations related to health. No work-related fatalities occurred in each of the past three years including for the year ended 31 March 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Training and Development

The Group treasures human resources and is committed to providing training and development programmes to enhance staff knowledge and skills, which ultimately creates value to the Group's business operations and supports future growth.

To enhance employees' work performance, the Group provides internal and external training courses ranging from professional and technical training to personal development skills. The Group also encourages relevant personnel to keep abreast of latest developments and best practices in the industry via training and workshops.

Based on the result of materiality assessment, percentage of employee trained and training hours completed per employee are not considered material and no disclosure is made with this regard.

Labour Standards

Forced labour and child labour are ethical issues relating to infringement of basic human rights and put the Group's reputation at risk. The Group strictly prohibits the use of forced and child labour. The Group complies with Employment Ordinance (Chapter 57 of the Laws of Hong Kong) to avoid child and forced labour in its operations. During the recruitment process, all candidates' identification documents are fully examined and verified to ensure that only employees over the age of 16 will be recruited. Such practice is extended to the workers hired by the Group's sub-contractors.

In the case that any of the Group's subcontractors is involved in hiring child labour and this comes into the Group's knowledge, the concerned subcontractor will be banned or suspended from submitting tenders for the Group's future projects.

During the year ended 31 March 2022, the Group fully complied with laws and regulations relating to employment, providing a safe working environment and protecting employees from occupational hazards, as well as preventing child and forced labour.

OPERATING PRACTICES

Supply Chain Management

Supply chain management is essential to the quality control system of the Group.

The Group has established various procedures to ensure that capable and competent suppliers and subcontractors are maintained in the Group's Supplier/Subcontractor Register to ensure effective and efficient project operation. The procurement team maintains a master list of all suppliers and subcontractors and the Group's selection is based on their previous experience, skills, present work load, price quotation and work quality. The Group understands the importance of incorporating environmental and social practices of its suppliers and therefore endeavors to engage suppliers who act responsibly with regard to green supply chain management. The procurement team evaluates the suppliers' and subcontractors' performance on a yearly basis by conducting annual performance appraisal together with the project team of the Group.

Suppliers and subcontractors with unsatisfactory performance will be banned or suspended from submitting tenders for the Group's future projects. The assessment relates to the existence and performance of suppliers' and subcontractors' environmental, health and safety system which is also included in the annual performance appraisal.

During the year ended 31 March 2022, the Group did not experience material shortage of building materials, did not experience any delay in supply of materials purchased from suppliers and had 1 supplier in Germany and a total of 3 suppliers in the PRC.

Product Responsibility

(i) Quality and Safety

The Group attaches importance to the quality and safety of products and its installation projects.

The Group has established a comprehensive management system and was awarded ISO 9001:2015 certification for the supply and installation of the Group's products of timber flooring, gypsum blocks and timber door since 2017. In addition, the Group was awarded the FSC's Chain of Custody certification, a proof of the Group's value on product quality and sustainability of forest operations. The Group undergoes regular audit from the certification body each year to ensure that the Group's management measures comply with relevant audit requirements and standards.

The Group ensures that the timber flooring products conform to all applicable legislations to avoid the illegal trade of forest products. The Group has established procedures to ensure the suppliers' compliance with relevant quality and service requirements as well as laws and regulations on environmental and social matters.

The Group has not identified any non-compliance with the relevant laws and regulations in respect of product responsibility during the year ended 31 March 2022.

(ii) Customer Services and Complaints

To ensure the products and services meet the required standards of the customer, the project teams will perform inspections on the Group's products and the installation works performed by the subcontractors from time to time.

For our supply and installation projects, apart from internal project progress meeting, the project team would normally hold progress meetings with customers throughout the project to review the progress of the projects and to resolve any problems which may arise.

Upon delivery of the building materials from our suppliers, our staff would perform random checking to ensure that the building materials delivered satisfy the specifications contained in our purchase record. Items found to be defective or which are not consistent to the product specifications stated in the purchase orders would be returned to the suppliers for replacement.

Further, we may also conduct sample testing on certain building materials to ensure they meet the specifications required by our customers.

The Group has not identified any material claim or complaint by our customers in relation to the quality of our performance and our subcontractors' performance against our Group and the cost incurred for rectifying defective works was immaterial during the year ended 31 March 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

(iii) Intellectual Property

The Group values trademark management of the Group's products. All products have been trademark registered and we require all employees, customers and sub-contractors to jointly safeguard the Group's proprietary rights and interest in the trademarks, and report behaviours of which may lead to potential trademark infringements in a timely manner.

The Group did not have any infringement by third parties on its intellectual property right or by itself to any intellectual property right of third parties during the year ended 31 March 2022.

(iv) Consumer Data Protection

The Group is committed to safeguarding customer data obtained during the course of business. Customer information such as personal and company detailed background information, financial documents, terms of contracts, etc., are deemed to be private, confidential and sensitive in nature. These types of information are extremely sensitive and important.

The Group is obliged to comply with the Personal Data (Privacy) Ordinance (the "PDPO") (Chapter 486 of the Laws of Hong Kong) and strive to protect all such data confidential and safe. If there is any breach of confidentiality or a failure to comply with the law, the Group may be subject to legal action and penalties prescribed under the PDPO.

The Group is fully aware of its customer data protection obligation. The Group has employed external IT security expert to continuously monitor, maintain and update the hardware, software and security system to prevent any customer data breach due to illegal hacking attacks. Also, all employees have been notified and are legally bound in their employment contracts and/or employee handbook on that obligation to observe the "Confidentiality Undertaking" in disclosure and/or leakage of the Group's confidential information. Legal action will be taken if violation takes place. In the reporting period, no report on information leakage was received.

Anti-corruption

All employees of the Group are required to strictly observe the code on personal and professional conducts and the guidelines on anti-bribery and anti-corruption conducts as provided in the manual of code of conduct (the "Code of Conduct") of the Group as follows:

1. Prevention of Bribery Ordinance – soliciting or accepting any advantage in connection with the employee's work for the Group without the permission of the Group is strictly prohibited and such conduct may amount to an offence under Section 9(2) of the Prevention of Bribery Ordinance (Chapter 201 of the laws of Hong Kong).
2. Acceptance of Advantage – soliciting or accepting any advantage when conducting business for the Group is prohibited, unless with the prior permission of the Group in writing.
3. Entertainment – employees should avoid accepting lavish or frequent entertainment from business partners associated with the Group (e.g. clients, suppliers or subcontractors) to prevent being affected in their business judgement. Excessive gambling and loans should also be avoided.
4. Conflict of Interest – employees should avoid any situation which may lead to an actual or perceived conflict of interest and make a declaration to the Group when such occasion occurs.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Employees who are in breach of the Code of Conduct may be dismissed or removed. Employees may report in writing to the Group regarding the suspected misconduct. Reports and complaints received will be handled in a prompt and fair manner. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation or discrimination. Therefore, the employee reporting in good faith under the whistle-blowing mechanism can be assured of protection against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated. During the year ended 31 March 2022, no legal case relating to bribery, extortion, fraud or money laundering was brought against the Group or its employees and the Group was not aware of any material non-compliance with the relevant laws and regulations relating to corrupt practices that would have a significant impact on the Group. The Group continues to carry out regular reviews and policy statement updates if necessary to ensure their effectiveness to strengthen internal controls and compliance regime of the Group.

COMMUNITY INVESTMENT

The Group is committed to fulfilling its corporate social responsibility in building a better community. Apart from commercial activities, the Group actively participates in community services and was awarded the “Caring Company” launched by the Hong Kong Council of Social Service in recognition of the Group’s contribution to society.

During the year ended 31 March 2022, charitable and other donations made by the Group amounted to approximately HK\$70,000 (2021: HK\$20,000).

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF TWINTEK INVESTMENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Twintek Investment Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 57 to 125, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

- Accounting for construction and engineering service contracts; and
- Expected credit loss (“**ECL**”) recognised in respect of contract assets and trade receivables

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

ACCOUNTING FOR CONSTRUCTION AND ENGINEERING SERVICE CONTRACTS

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 69 to 71.

| The key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>The Group recognised contract revenue of construction and engineering service contract according to the management's estimation of the total outcome of the project as well as the stage of completion of contract works.</p> | <p>We have evaluated the design and implementations, and control effectiveness on a sample basis of the key control in relation to revenue recognition that the Group had implemented.</p> |
| <p>The Group recognised contract revenue by reference to the stage of completion towards satisfaction of performance obligation under input method. This involves the assessment of the stage of completion of contract works, which was performed by the Group's project managers, the actual outcome of the contract in terms of its total revenue may be higher or lower than the management's estimation and it will affect the revenue recognised.</p> | <p>We assessed whether the stage of completion at the end of the reporting period was reasonable through critically challenging the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs of the construction and engineering service contract.</p> |
| <p>Significant judgement is involved in relation to the assessment of the total outcome and the stage of completion and is therefore considered as a key audit matter.</p> | <p>We assessed the revenue recognised for the reporting period through checking the supporting documents, such as contracts, variation orders and payment certificates, and recalculated the revenue recognised based on the stage of completion to the total contract sum and work values from variation dates.</p> |
| | <p>We assessed reliability of management's assessment in budget cost by considering the historical/incurred actual costs.</p> |

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

ECL RECOGNISED IN RESPECT OF CONTRACT ASSETS AND TRADE RECEIVABLES

Refer to notes 20 and 22(a) to the consolidated financial statements and the accounting policies on pages 78 to 80.

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| As at 31 March 2022, the Group had contract assets and trade receivables of approximately HK\$117,478,000 and HK\$30,859,000 respectively. | We have evaluated the design and implementation of key control that the Group has implemented to manage and monitor its credit risk and measurement of ECL. |
| The estimation of ECL adopted by the Group is based on the Group's historical credit loss experience and forward-looking information at the end of the reporting period. | We obtained and reviewed the management's assumptions and judgements adopted in assessing ECL in respect of contract assets and trade receivables. |
| We have identified ECL recognised in respect of contract assets and trade receivables as a key audit matter because the estimation of ECL requires a high level of management judgement and due to the significance of the amounts involved. | We have assessed the reasonableness of management's estimation for loss allowance by evaluating the historical loss rates, current economic conditions and forward-looking information and examining the actual losses recorded and assessing whether there was an indication of management bias when recognising ECL. |

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with 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 partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

23 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | <i>Notes</i> | 2022 HK\$'000 | 2021 HK\$'000 |
|--|--------------|------------------|------------------|
| Revenue | 7 | 337,372 | 311,754 |
| Cost of sales and services | | (281,250) | (262,938) |
| Gross profit | | 56,122 | 48,816 |
| Other income | 8 | 4,318 | 3,629 |
| Selling and distribution expenses | | (9,257) | (8,797) |
| Administrative expenses | | (34,530) | (30,911) |
| Finance costs | 9 | (1,323) | (1,625) |
| Profit before taxation | | 15,330 | 11,112 |
| Income tax (expenses) credit | 10 | (1,588) | 188 |
| Profit and total comprehensive income for the year attributable to the owners of the Company | 11 | 13,742 | 11,300 |
| Earnings per share: | | | |
| Basic and diluted (HK cents) | 15 | 1.72 | 1.41 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

| | <i>Notes</i> | 2022 HK\$'000 | 2021 HK\$'000 |
|--|--------------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 16 | 53,479 | 55,067 |
| Right-of-use asset | 17 | 143 | 571 |
| Prepayment and deposits paid for life insurance policies | 18 | 6,172 | 5,936 |
| Deposits, prepayments and other receivables | 21 | – | 111 |
| | | 59,794 | 61,685 |
| Current assets | | | |
| Inventories | 19 | 5,836 | 10,814 |
| Contract assets | 22 | 117,478 | 74,611 |
| Trade receivables | 20 | 30,859 | 32,383 |
| Deposits, prepayments and other receivables | 21 | 2,405 | 4,128 |
| Pledged bank deposits | 23 | 8,096 | 8,088 |
| Bank balances and cash | 23 | 28,223 | 41,618 |
| | | 192,897 | 171,642 |
| Current liabilities | | | |
| Trade and bills payables | 24 | 31,142 | 28,338 |
| Contract liabilities | 22 | 6,506 | 3,395 |
| Retention monies payables | | 4,154 | 4,110 |
| Accrual and other payables | 25 | 4,610 | 4,279 |
| Bank borrowings | 26 | 48,512 | 35,897 |
| Lease liability | 17 | 146 | 433 |
| Tax payable | | 1,093 | 35 |
| | | 96,163 | 76,487 |
| Net current assets | | 96,734 | 95,155 |
| Total assets less current liabilities | | 156,528 | 156,840 |
| Non-current liabilities | | | |
| Deferred tax liability | 28 | 239 | 146 |
| Lease liability | 17 | – | 147 |
| | | 239 | 293 |
| | | 156,289 | 156,547 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2022

| | <i>Note</i> | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------------|-------------|------------------|------------------|
| Capital and reserves | | | |
| Share capital | 29 | 8,000 | 8,000 |
| Reserves | | 148,289 | 148,547 |
| | | 156,289 | 156,547 |

The consolidated financial statements on page 57 to 125 were approved and authorised for issue by the board of directors on 23 June 2022 and are signed on its behalf by:

Lo Wing Cheung
Director

Fung Pik Mei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 (Note) | Retained profits HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|--|---------------------------------|-------------------|
| At 1 April 2020 | 8,000 | 103,940 | 5,024 | 28,283 | 145,247 |
| Profit and total comprehensive income for the year | – | – | – | 11,300 | 11,300 |
| At 31 March 2021 and 1 April 2021 | 8,000 | 103,940 | 5,024 | 39,583 | 156,547 |
| Profit and total comprehensive income for the year | – | – | – | 13,742 | 13,742 |
| Dividends paid (note 14) | – | (14,000) | – | – | (14,000) |
| At 31 March 2022 | 8,000 | 89,940 | 5,024 | 53,325 | 156,289 |

Note: Capital reserve represented the difference between the nominal amount of the share capital and share premium of Fortuna Enterprise Holdings Limited and the nominal amount of the shares issued by the Company pursuant to a group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 15,330 | 11,112 |
| Adjustments for: | | |
| Finance costs | 1,323 | 1,625 |
| Bank interest income | (8) | (172) |
| Interest income from deposits paid for life insurance policies | (243) | (234) |
| Amortisation of prepayment paid for life insurance policies | 7 | 8 |
| Impairment loss recognised on contract assets | 1,082 | – |
| Reversal of impairment loss recognised on contract assets | – | (269) |
| Impairment loss recognised on trade receivables | 338 | – |
| Reversal of impairment loss recognised on trade receivables | – | (553) |
| Reversal of written off on prepayment | – | (105) |
| Depreciation of property, plant and equipment | 2,918 | 2,391 |
| Depreciation of right-of-use asset | 428 | 429 |
| Loss on write-off of property, plant and equipment | 1 | – |
| Gain on disposal of property, plant and equipment | – | (83) |
| Operating cash flows before movements in working capital | 21,176 | 14,149 |
| Decrease (increase) in inventories | 4,978 | (4,773) |
| (Increase) decrease in contract assets | (43,949) | 3,063 |
| Decrease (increase) in trade receivables | 1,186 | (17,474) |
| Decrease in deposits, prepayments and other receivables | 1,834 | 10,836 |
| Increase in trade and bills payables | 2,804 | 16,768 |
| Increase (decrease) in contract liabilities | 3,111 | (5,031) |
| Increase in retention monies payables | 44 | 336 |
| Increase in accrual and other payables | 331 | 2,145 |
| Cash (used in) generated from operations | (8,485) | 20,019 |
| Hong Kong Profits Tax (paid) refunded | (437) | 2,751 |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | (8,922) | 22,770 |

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2022

| | <i>Note</i> | 2022 HK\$'000 | 2021 HK\$'000 |
|--|-------------|------------------|------------------|
| INVESTING ACTIVITIES | | | |
| Bank interest income received | | 8 | 172 |
| Net cash outflow on the acquisition of a subsidiary | 31 | – | (32,012) |
| Purchases of property, plant and equipment | | (1,331) | (1,165) |
| Proceeds on disposal of property, plant and equipment | | – | 83 |
| Placement of pledged bank deposits | | (8,096) | (8,088) |
| Withdrawal of pledged bank deposits | | 8,088 | 8,078 |
| NET CASH USED IN INVESTING ACTIVITIES | | (1,331) | (32,932) |
| FINANCING ACTIVITIES | | | |
| Interest paid | | (1,315) | (1,608) |
| Dividends paid | | (14,000) | – |
| Repayment of principal portion of lease payment | | (434) | (424) |
| Repayment of interest portion of lease payment | | (8) | (17) |
| New bank borrowings raised | | 132,500 | 41,000 |
| Repayments of bank borrowings | | (119,885) | (46,499) |
| NET CASH USED IN FINANCING ACTIVITIES | | (3,142) | (7,548) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (13,395) | (17,710) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 41,618 | 59,328 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash | | 28,223 | 41,618 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

Twintek Investment Holdings Limited (“**the Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 February 2017 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2018. Its ultimate and immediate holding company is also Helios Enterprise Holding Limited, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability. Its ultimate controlling parties are Mr. Lo Wing Cheung and Ms. Fung Pik Mei. The addresses of the registered office of the Company is PO Box 309, Ugland House, Grand Cayman KY1-1104, the Cayman Islands and the principal place of business of the Company is Room 806, 8/F., Eastern Centre, 1065 King’s Road, Quarry Bay, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are investment holding, sales of building materials and provision of construction and engineering services.

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

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

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

| | |
|---|---|
| Amendment to HKFRS 16 | Covid-19 Related Rent Concessions |
| Amendment to HKFRS 16 | Covid-19 Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

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

New and amendments to HKFRSs issued but not yet effective

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

| | |
|--|--|
| HKFRS 17 | Insurance Contracts and the related Amendments ² |
| Amendments to HKFRS 3 | Reference to Conceptual Framework ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ² |
| Amendments to HKAS 1 and HKFRS Practice Statements 2 | Disclosure of Accounting Policies ² |
| Amendments to HKAS 8 | Definition of Accounting Estimates ² |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ² |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use ¹ |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ¹ |
| Amendment to HKFRSs | Annual Improvements to HKFRSs 2018–2020 cycle ¹ |
| Initial Application of HKFRS 17 and HKFRS 9 | Comparative Information (Amendment to HKFRS 17) ² |

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

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

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

Amendments to HKAS 1 – Classification of liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

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

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group’s outstanding liabilities as at 31 March 2022, the application of the amendments will not result in change in the classification of the Group’s liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

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

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

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with HKAS 2 Inventories.

The amendments also clarify the meaning of “testing whether an asset is functioning properly”. HKAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group.

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

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

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on historical cost basis.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss 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 of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisition

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to property, plant and equipment which are subsequently measured under cost model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

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

The Group recognised 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 customers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

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

Contract assets and 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 from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of goods;
- construction contracts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sales of goods

Revenue from sale of goods is recognised at the point when the control of the good is transferred to the customers (generally on delivery of the goods to location specified by customers).

Construction contracts

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

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Input method)

Revenue from provision of construction and engineering services is recognised over time.

The progress towards complete satisfaction of a performance obligation is measured based on input method. Input methods recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended and costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

Leasing

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liability

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

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

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

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

Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. It is depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use asset as a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Impairment losses on property, plant and equipment and right-of-use asset” policy.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Government grants

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

Government grants 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.

Retirement benefits cost and termination benefits

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

The Group’s net obligations in respect of long service payment to its employees on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group’s retirement plans that are attributed to contributions made by the Group.

Short-term employee benefits and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Impairment losses on property, plant and equipment and right-of-use asset

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) 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 CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 CGUs. 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 CGUs. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) 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 the CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Financial instruments

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

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

Financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

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

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

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

Amortised cost and effective interest method

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

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit loss (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

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

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “Other income” (note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

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

The Group always recognises lifetime ECL for contract assets and trade receivables. The ECL on contract assets are estimated on an individual basis for customer with significant balances and collectively by using a provision matrix and the ECL on trade receivables are estimated collectively by using a provision matrix estimated 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset 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.

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 financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Credit-impaired financial assets

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

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 5 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 adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

The Group recognises an impairment loss or reversal of impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. 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 party.

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Accounting for construction and engineering service contracts

The Group recognised contract revenue of construction and engineering service contract according to the management's estimation of the stage of completion of the contract by reference to the accumulated contract costs recognised over the budget cost at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction and engineering service contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the management's estimation and this will affect the revenue recognised and the contract assets (liabilities) as detailed in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

ECL recognised in respect of contract assets and trade receivables

The impairment provisions for contract assets and trade receivables are based on assumptions about ECL. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the Group's historical credit loss experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 March 2022, impairment loss recognised on contract assets is approximately HK\$1,082,000 (2021: reversal of impairment loss recognised of approximately HK\$269,000). As at 31 March 2022, the carrying amount of contract assets is approximately HK\$117,478,000 (2021: HK\$74,611,000) net of allowance for impairment loss of approximately HK\$3,178,000 (2021: HK\$2,096,000).

During the year ended 31 March 2022, impairment loss recognised on trade receivables is approximately HK\$338,000 (2021: reversal of impairment loss recognised of approximately HK\$553,000). As at 31 March 2022, the carrying amount of trade receivables is approximately HK\$30,859,000 (2021: HK\$32,383,000) net of allowance for impairment loss of approximately HK\$1,732,000 (2021: HK\$1,394,000).

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation based on experience about the economic useful lives of the assets and by making reference to market prices of similar assets. The Group assesses the useful lives of the property, plant and equipment at the end of each reporting period and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

As at 31 March 2022, the carrying amount of property, plant and equipment is approximately HK\$53,479,000 (2021: HK\$55,067,000).

Impairment of property, plant and equipment

Impairment of property, plant and equipment is performed by the management of the Group at the end of each reporting period. When there is an indication of possible impairment identified, the management of the Group assess whether there is any impairment loss. Impairment loss has been recognised if the recoverable amount, being the higher of fair value less cost of disposal or value-in-use, is lower than the carrying amount. These calculations require the use of estimates.

Based on the estimated recoverable amount, no impairment loss on property, plant and equipment has been recognised for the years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 26 and lease liability disclosed in note 17, net of bank balances and cash disclosed in note 23 and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Financial assets | | |
| Financial assets stated at amortised cost (including bank balances and cash) | 73,928 | 88,582 |
| Financial liabilities | | |
| Financial liabilities stated at amortised cost | 88,418 | 69,904 |

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits paid for life insurance policies, trade receivables, deposits and other receivables, pledged bank deposits, bank balances and cash, trade and bills payables, retention monies payables, certain accrual and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

(i) Currency risk

The Group has foreign currency deposits paid for life insurance policies, deposits and purchases, which expose the Group to foreign currency risk. For the year ended 31 March 2022, 15% (2021: 15%) of the Group's cost of sales and services are denominated in currencies other than the functional currency of the respective group's entities. The Group currently does not have hedging policy to minimise the foreign exchange risk. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 |
| Renminbi ("RMB") | 440 | 76 | – | (356) |
| United States Dollar ("USD") | 5,980 | 5,737 | – | – |
| EURO ("EUR") | – | 143 | (5,125) | (14,612) |

Sensitivity analysis

No sensitivity analysis was prepared for USD, as the functional currency of the Group, i.e. HK\$, is pegged to USD. The Group is mainly exposed to the currency risk of RMB and EUR.

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies for the year ended 31 March 2022. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rate.

A positive (negative) number below indicates an increase (a decrease) in post-tax profit where HK\$ strengthen 5% against the relevant currencies. For a 5% weakening of HK\$ against the relevant currencies, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

Effect on post-tax profit:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-----|------------------|------------------|
| RMB | (18) | 12 |
| EUR | 214 | 610 |

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 23) and variable-rate bank borrowings (see note 26). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the Group's bank balances and the fluctuation of bank's best lending rate and Hong Kong Interbank Offered Rate arising from the Group's bank borrowings denominated in HK\$.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. For the year ended 31 March 2022, a 50 basis points (2021: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK\$85,000 (2021: post-tax profit decrease/increase by HK\$129,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

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

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

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

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

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

The credit risk on pledged bank deposits, bank balances and deposits paid for life insurance policies are limited because the counterparties are banks and insurance company with high credit ratings assigned by international credit-rating agencies.

For other financial assets, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. Management considered deposits and other receivables to be low credit risk and thus the impairment measurement is based on 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increase in credit risk on other financial instruments of the debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognising ECL |
|------------|---|------------------------------------|
| Performing | For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1) | 12-month ECL |
| Doubtful | For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2) | Lifetime ECL – not credit impaired |
| Default | Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3) | Lifetime ECL – credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written-off |

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

| 31 March 2022 | Internal credit rating | 12-month or lifetime ECL | Average expected loss rate % | Gross carrying amount HK\$'000 | Loss allowance HK\$'000 | Net carrying amount HK\$'000 |
|--------------------------------------|------------------------|------------------------------------|------------------------------|--------------------------------|-------------------------|------------------------------|
| Contract assets | | | | | | |
| – individually assessed | Default | Lifetime ECL (credit-impaired) | 100 | 1,761 | (1,761) | – |
| – collectively assessed | Doubtful | Lifetime ECL (not credit-impaired) | 1.19 | 118,895 | (1,417) | 117,478 |
| | | | | 120,656 | (3,178) | 117,478 |
| Trade receivables | | | | | | |
| – collectively assessed | Default | Lifetime ECL (credit-impaired) | 100 | 1,316 | (1,316) | – |
| – collectively assessed | Doubtful | Lifetime ECL (not credit-impaired) | 1.33 | 31,275 | (416) | 30,859 |
| | | | | 32,591 | (1,732) | 30,859 |
| Deposit and other receivables | Performing | 12-month ECL | – | 770 | – | 770 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

| 31 March 2021 | Internal credit rating | 12-month or lifetime ECL | Average expected loss rate % | Gross carrying amount HK\$'000 | Loss allowance HK\$'000 | Net carrying amount HK\$'000 |
|--------------------------------------|------------------------|------------------------------------|------------------------------|--------------------------------|-------------------------|------------------------------|
| Contract assets | | | | | | |
| - individually assessed | Default | Lifetime ECL (credit-impaired) | 100 | 1,667 | (1,667) | - |
| - collectively assessed | Doubtful | Lifetime ECL (not credit-impaired) | 0.57 | 75,040 | (429) | 74,611 |
| | | | | 76,707 | (2,096) | 74,611 |
| Trade receivables | | | | | | |
| - collectively assessed | Default | Lifetime ECL (credit-impaired) | 100 | 1,316 | (1,316) | - |
| - collectively assessed | Doubtful | Lifetime ECL (not credit-impaired) | 0.24 | 32,461 | (78) | 32,383 |
| | | | | 33,777 | (1,394) | 32,383 |
| Deposit and other receivables | | | | | | |
| | Performing | 12-month ECL | - | 756 | - | 756 |

The Group's concentration of credit risk by geographical locations is all in Hong Kong as at 31 March 2022 (2021: all).

The Group has concentration of credit risk as 47% (2021: 19%) and 64% (2021: 72%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the construction contracts segment.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2022, the Group has available unutilised short-term bank loan facilities of approximately HK\$19,300,000 (2021: HK\$32,300,000). Details of which are set out in note 26.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

The table includes both interest and principal cash flows.

Liquidity tables

| | At 31 March 2022 | | | |
|---|---|-----------------------|---|--------------------------------|
| | Within 1 year or on demand HK\$'000 | 1–5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
| <i>Non-derivative financial liabilities</i> | | | | |
| Trade and bills payables | 31,142 | – | 31,142 | 31,142 |
| Retention monies payables | 4,154 | – | 4,154 | 4,154 |
| Accrual and other payables | 4,610 | – | 4,610 | 4,610 |
| Bank borrowings (Note) | 48,512 | – | 48,512 | 48,512 |
| | 88,418 | – | 88,418 | 88,418 |
| Lease liability | 147 | – | 147 | 146 |
| | 88,565 | – | 88,565 | 88,564 |
| | | | | |
| | At 31 March 2021 | | | |
| | Within 1 year or on demand HK\$'000 | 1–5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
| <i>Non-derivative financial liabilities</i> | | | | |
| Trade and bills payables | 28,338 | – | 28,338 | 28,338 |
| Retention monies payables | 4,110 | – | 4,110 | 4,110 |
| Accrual and other payables | 1,559 | – | 1,559 | 1,559 |
| Bank borrowings (Note) | 35,897 | – | 35,897 | 35,897 |
| | 69,904 | – | 69,904 | 69,904 |
| Lease liability | 442 | 147 | 589 | 580 |
| | 70,346 | 147 | 70,493 | 70,484 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity tables (Continued)

Note: Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above analysis. As at 31 March 2022, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK\$48,512,000 (2021: HK\$35,897,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$49,274,000 (2021: HK\$36,626,000).

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

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 contractual undiscounted payments.

The table includes both interest and principal cash flows.

Maturity Analysis

| | At 31 March 2022 | | | | | Carrying amount HK\$'000 |
|---|-------------------------------|--------------|--------------|----------------------|-------------------------------------|-----------------------------|
| | Within 1 year or on demand | 1 to 2 years | 2 to 5 years | More than 5 years | Total undiscounted cash flows | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Trade and bills payables | 31,142 | - | - | - | 31,142 | 31,142 |
| Retention monies payables | 4,154 | - | - | - | 4,154 | 4,154 |
| Accrual and other payables | 4,610 | - | - | - | 4,610 | 4,610 |
| Bank borrowings | 44,387 | 482 | 1,452 | 2,953 | 49,274 | 48,512 |
| | 84,293 | 482 | 1,452 | 2,953 | 89,180 | 88,418 |
| Lease liability | 147 | - | - | - | 147 | 146 |
| | 84,440 | 482 | 1,452 | 2,953 | 89,327 | 88,564 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Maturity Analysis (Continued)

| | At 31 March 2021 | | | | | Carrying amount HK\$'000 |
|---|-------------------------------|--------------|--------------|----------------------|-------------------------------------|-----------------------------|
| | Within 1 year or on demand | 1 to 2 years | 2 to 5 years | More than 5 years | Total undiscounted cash flows | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Trade and bills payables | 28,338 | - | - | - | 28,338 | 28,338 |
| Retention monies payables | 4,110 | - | - | - | 4,110 | 4,110 |
| Accrual and other payables | 1,559 | - | - | - | 1,559 | 1,559 |
| Bank borrowings | 31,625 | 480 | 1,440 | 3,081 | 36,626 | 35,897 |
| | 65,632 | 480 | 1,440 | 3,081 | 70,633 | 69,904 |
| Lease liability | 442 | 147 | - | - | 589 | 580 |
| | 66,074 | 627 | 1,440 | 3,081 | 71,222 | 70,484 |

Interest rate benchmark reform

The Group has Hong Kong Interbank Offered Rate (“HIBOR”) bank loan amounted to HK\$44,000,000 as at 31 March 2022 which may be subject to interest rate benchmark reform. The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the regulators. While the Hong Kong Dollar Overnight Index Average (“HONIA”) has been identified as an alternative to HIBOR, the regulators have no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(c) Fair value measurements recognised in the consolidated statement of financial position

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

The directors of the Company also consider that the carrying amounts of non-current financial assets recorded at amortised cost in the consolidated financial statements approximate to their fair values due to insignificant impact of discounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of building materials and provision of construction and engineering services. An analysis of the Group's revenue for the year is as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregation by major products or services lines | | |
| Sales of building materials | | |
| – Gypsum block | 32,807 | 19,717 |
| – Wooden flooring | 14,422 | 18,949 |
| – Others | 1,295 | 4,425 |
| Revenue from provision of construction and engineering services | | |
| – Gypsum block | 164,129 | 77,294 |
| – Wooden flooring | 114,857 | 160,958 |
| – Others | 9,862 | 30,411 |
| | 337,372 | 311,754 |

Disaggregation of the Group's revenue by timing of recognition

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-------------------------------|------------------|------------------|
| Timing of revenue recognition | | |
| At a point in time | 48,524 | 43,091 |
| Over time | 288,848 | 268,663 |
| | 337,372 | 311,754 |

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

As at 31 March 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$190,552,000 (2021: HK\$286,242,000). The amount represents revenue expected to be recognised in the future from provision of construction and engineering service contract entered into between the customers and the Group. The Group will recognise this revenue as the service is completed, which is expected to be recognised over the next 12–18 months (2021: 12–18 months). Revenue of approximately HK\$137,000,000 (2021: HK\$259,000,000) and HK\$53,552,000 (2021: HK\$27,242,000) are expected to be recognised within one year and more than one year but less than two years respectively.

The above amounts do not include variable consideration which is constrained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

Information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in nature of revenue. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable segments are as follows:

- Sales of building materials – trading of building materials; and
- Construction contracts – provision of construction and engineering services.

The following is an analysis of the Group’s revenue and results by reportable and operating segment.

For the year ended 31 March 2022

| | Sales of building materials HK\$’000 | Construction contracts HK\$’000 | Total HK\$’000 |
|--------------------------------|---|---------------------------------------|-------------------|
| Segment revenue | | | |
| External sales | 48,524 | 288,848 | 337,372 |
| Segment profit | 16,906 | 37,796 | 54,702 |
| Unallocated income | | | 4,318 |
| Unallocated corporate expenses | | | (42,367) |
| Unallocated finance costs | | | (1,323) |
| Profit before taxation | | | 15,330 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 March 2021

| | Sales of building materials HK\$'000 | Construction contracts HK\$'000 | Total HK\$'000 |
|--------------------------------|---|---------------------------------------|-------------------|
| Segment revenue | | | |
| External sales | 43,091 | 268,663 | 311,754 |
| Segment profit | 13,757 | 35,881 | 49,638 |
| Unallocated income | | | 2,807 |
| Unallocated corporate expenses | | | (39,708) |
| Unallocated finance costs | | | (1,625) |
| Profit before taxation | | | 11,112 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and selling and distribution expenses, directors' emoluments, finance costs and certain other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

| | 2022 HK\$'000 | 2021 HK\$'000 |
|------------------------------|------------------|------------------|
| Sales of building materials | 5,617 | 6,758 |
| Construction contracts | 142,720 | 100,236 |
| Total segment assets | 148,337 | 106,994 |
| Unallocated corporate assets | 104,354 | 126,333 |
| Total assets | 252,691 | 233,327 |

Segment liabilities

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Sales of building materials | 6,021 | 6,433 |
| Construction contracts | 35,781 | 29,410 |
| Total segment liabilities | 41,802 | 35,843 |
| Unallocated corporate liabilities | 54,600 | 40,937 |
| Total liabilities | 96,402 | 76,780 |

For the purposes of monitoring segment performance and allocating resources between segments:

- only contract assets and trade receivables are allocated to operating segments; and
- only contract liabilities, trade and bills payables and retention monies payables are allocated to operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2022

| | Sales of building materials HK\$'000 | Construction contracts HK\$'000 | Unallocated HK\$'000 | Total HK\$'000 |
|--|---|---------------------------------------|-------------------------|-------------------|
| Amounts included in the measure of segment profit or segment assets: | | | | |
| Impairment loss recognised on trade receivables | - | 338 | - | 338 |
| Impairment loss recognised on contract assets | - | 1,082 | - | 1,082 |
| Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets: | | | | |
| Additions to non-current assets (<i>Note</i>) | - | - | 1,331 | 1,331 |
| Depreciation of property, plant and equipment | - | - | 2,918 | 2,918 |
| Depreciation of right-of-use asset | - | - | 428 | 428 |
| Loss on write-off of property, plant and equipment | - | - | 1 | 1 |
| Interest income from deposits paid for life insurance policies | - | - | (243) | (243) |
| Bank interest income | - | - | (8) | (8) |
| Finance costs | - | - | 1,323 | 1,323 |
| Income tax expenses | - | - | 1,588 | 1,588 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2021

| | Sales of building materials HK\$'000 | Construction contracts HK\$'000 | Unallocated HK\$'000 | Total HK\$'000 |
|--|---|---------------------------------------|-------------------------|-------------------|
| Amounts included in the measure of segment profit or segment assets: | | | | |
| Reversal of impairment loss recognised on trade receivables | – | (553) | – | (553) |
| Reversal of impairment loss recognised on contract assets | – | (269) | – | (269) |
| Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets: | | | | |
| Additions to non-current assets (<i>Note</i>) | – | – | 33,430 | 33,430 |
| Depreciation of property, plant and equipment | – | – | 2,391 | 2,391 |
| Depreciation of right-of-use asset | – | – | 429 | 429 |
| Reversal of written off on prepayment | – | – | (105) | (105) |
| Gain on disposal of property, plant and equipment | – | – | (83) | (83) |
| Interest income from deposits paid for life insurance policies | – | – | (234) | (234) |
| Bank interest income | – | – | (172) | (172) |
| Finance costs | – | – | 1,625 | 1,625 |
| Income tax credit | – | – | (188) | (188) |

Note: Non-current assets excluded deposits, prepayments and other receivables and prepayment and deposits paid for life insurance policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---------------------------|------------------|------------------|
| Customer A ^{1,2} | 130,585 | 62,558 |
| Customer B ^{1,2} | 54,570 | 90,868 |

¹ Revenue from construction contracts segment

² Revenue from sales of building materials segment

Geographical information

The Group's operations and non-current assets are all located in Hong Kong, therefore, no geographical information was presented.

8. OTHER INCOME

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Bank interest income | 8 | 172 |
| Interest income from deposits paid for life insurance policies | 243 | 234 |
| Net foreign exchange gain | 1,216 | – |
| Reversal of impairment loss recognised on trade receivables | – | 553 |
| Reversal of impairment loss recognised on contract assets | – | 269 |
| Reversal of written off on prepayment | – | 105 |
| Gain on disposal of property, plant and equipment | – | 83 |
| Government grant (note) | – | 1,708 |
| Storage fee income | 2,816 | – |
| Compensation from employee injury claims | – | 505 |
| Others | 35 | – |
| | 4,318 | 3,629 |

Note: During the year 31 March 2021, the Group recognised government grants of approximately HK\$1,708,000 in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those government grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

9. FINANCE COSTS

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Interest expenses on bank borrowings | 1,315 | 1,608 |
| Interest expenses on lease liability | 8 | 17 |
| | 1,323 | 1,625 |

10. INCOME TAX EXPENSES (CREDIT)

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Current tax: | | |
| Hong Kong Profits Tax | 1,515 | 39 |
| Over-provision in prior years | (20) | – |
| Deferred taxation (<i>note 28</i>) | 93 | (227) |
| | 1,588 | (188) |

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

Macau Complementary Income Tax is calculated at 12% of the estimated assessable profits for the years ended 31 March 2022 and 2021.

No Macau Complementary Income Tax has been provided since there were no assessable profits generated for the years ended 31 March 2022 and 2021.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands or the BVI for the years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

10. INCOME TAX EXPENSES (CREDIT) (Continued)

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of a PRC subsidiary is 25%. No EIT has been provided since there were no assessable profits generated for the years ended 31 March 2022 and 2021.

The income tax expenses (credit) 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:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation | 15,330 | 11,112 |
| Tax at Hong Kong Profits Tax rate of 16.5% (2021: 16.5%) | 2,529 | 1,833 |
| Tax effect of expenses not deductible for tax purposes | 739 | 223 |
| Tax effect of income not taxable for tax purposes | – | (369) |
| Utilisation of tax losses previously not recognised | (1,475) | (1,845) |
| Effect of two-tiered profits tax rate regime | (165) | (20) |
| Effect of tax reduction (<i>note</i>) | (20) | (10) |
| Over-provision in prior years | (20) | – |
| Income tax expenses (credit) for the year | 1,588 | (188) |

Details of deferred tax liability are set out in note 28.

Note: Tax reduction represented a one-off reduction of Hong Kong Profits Tax for the year of assessment 2021/2022 by 100%, subject to a ceiling of HK\$10,000 for each entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

11. PROFIT FOR THE YEAR

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Profit for the year has been arrived at after charging: | | |
| Directors' and chief executive's emoluments (<i>note 12</i>) | 5,903 | 5,266 |
| Other staff costs | 12,832 | 12,279 |
| Contribution to defined contribution retirement benefits scheme (excluding directors' and chief executive's emoluments) | 438 | 427 |
| Total staff costs | 19,173 | 17,972 |
| Auditor's remuneration | 1,060 | 1,034 |
| Depreciation of property, plant and equipment | 2,918 | 2,391 |
| Depreciation of right-of-use asset | 428 | 429 |
| Net foreign exchange loss | – | 150 |
| Impairment loss recognised on trade receivables | 338 | – |
| Impairment loss recognised on contract assets | 1,082 | – |
| Loss on write-off of property, plant and equipment | 1 | – |
| Amortisation of prepayment paid for life insurance policies | 7 | 8 |
| Expense relating to short-term lease under HKFRS 16 | 238 | 782 |
| Amount of inventories recognised as an expense | 48,462 | 42,308 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 6 (2021: 6) directors and the chief executive were as follows:

| | Fee HK\$'000 | Salaries and allowances HK\$'000 | Discretionary bonuses (Note) HK\$'000 | Contribution to defined contribution retirement benefits scheme HK\$'000 | Total HK\$'000 |
|--|-----------------|--|--|--|-------------------|
| Year ended 31 March 2022 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Lo Wing Cheung ("Mr. Lo") | - | 2,963 | 345 | 18 | 3,326 |
| Ms. Fung Pik Mei | - | 1,414 | 345 | 18 | 1,777 |
| <i>Non-executive director</i> | | | | | |
| Mr. Wan Ho Yin | 200 | - | - | - | 200 |
| <i>Independent non-executive directors</i> | | | | | |
| Mr. Shu Wa Tung Laurence | 200 | - | - | - | 200 |
| Mr. Tam Wai Tak Victor | 200 | - | - | - | 200 |
| Mr. Tam Wing Lok | 200 | - | - | - | 200 |
| | 800 | 4,377 | 690 | 36 | 5,903 |
| Year ended 31 March 2021 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Lo | - | 2,709 | 280 | 18 | 3,007 |
| Ms. Fung Pik Mei | - | 1,161 | 280 | 18 | 1,459 |
| <i>Non-executive director</i> | | | | | |
| Mr. Wan Ho Yin | 200 | - | - | - | 200 |
| <i>Independent non-executive directors</i> | | | | | |
| Mr. Shu Wa Tung Laurence | 200 | - | - | - | 200 |
| Mr. Tam Wai Tak Victor | 200 | - | - | - | 200 |
| Mr. Tam Wing Lok | 200 | - | - | - | 200 |
| | 800 | 3,870 | 560 | 36 | 5,266 |

Note: The discretionary bonus is determined by the board of directors having regard to the performance of the relevant director and the operating results of the Group as a whole in respect of each financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

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

None of the directors and chief executive of the Company waived or agreed to waive any emoluments paid by the Group for the years ended 31 March 2022 and 2021. No emoluments were paid by the Group to any directors or the chief executive of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 March 2022 and 2021.

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

Mr. Lo is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2021: three) individuals were as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Salaries and allowances and discretionary bonuses (<i>note</i>) | 3,085 | 2,965 |
| Contribution to defined contribution retirement benefits scheme | 54 | 36 |
| | 3,139 | 3,001 |

Their emoluments were within the following bands:

| | 2022 Number of individuals | 2021 Number of individuals |
|--------------------------------|----------------------------------|----------------------------------|
| Nil to HK\$1,000,000 | 1 | 2 |
| HK\$1,000,001 to HK\$1,500,000 | 2 | 1 |
| | 3 | 3 |

Note: The discretionary bonus is determined by the board of directors having regard to the performance of the relevant employee and the operating results of the Group as a whole in respect of each financial year.

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

14. DIVIDENDS

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Dividends paid during the year: | | |
| 2021 Final dividends – HK1.0 cent per ordinary share | 8,000 | – |
| 2022 Interim dividends – HK0.75 cents per ordinary share | 6,000 | – |
| | 14,000 | – |

Subsequent to the end of the reporting period, a final dividend of HK0.5 cents (2021: HK1.0 cent) per ordinary share in respect of the year ended 31 March 2022, in aggregate amount of HK\$4,000,000 (2021: HK\$8,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

15. EARNINGS PER SHARE

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

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Earnings | | |
| Earnings for the purpose of basic and diluted earnings per share, representing profit for the year attributable to owners of the Company | 13,742 | 11,300 |
| | | |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares) | 800,000 | 800,000 |

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

16. PROPERTY, PLANT AND EQUIPMENT

| | Ownership interest in leasehold land and buildings HK\$'000 | Leasehold improvement HK\$'000 | Office equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|--|---|--------------------------------------|---------------------------------|-------------------------------|-------------------|
| COST | | | | | |
| At 1 April 2020 | 23,413 | 2,861 | 1,831 | 1,183 | 29,288 |
| Additions | – | 340 | 23 | 802 | 1,165 |
| Acquired on acquisition of a subsidiary (note 31) | 32,265 | – | – | – | 32,265 |
| Disposal | – | – | – | (499) | (499) |
| Written off | – | – | (7) | – | (7) |
| At 31 March 2021 and 1 April 2021 | 55,678 | 3,201 | 1,847 | 1,486 | 62,212 |
| Additions | – | – | 31 | 1,300 | 1,331 |
| Written off | – | – | (3) | (333) | (336) |
| At 31 March 2022 | 55,678 | 3,201 | 1,875 | 2,453 | 63,207 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | |
| At 1 April 2020 | 1,806 | 1,199 | 1,196 | 1,059 | 5,260 |
| Provided for the year | 1,188 | 792 | 243 | 168 | 2,391 |
| Eliminated on disposal | – | – | – | (499) | (499) |
| Eliminated on written off | – | – | (7) | – | (7) |
| At 31 March 2021 and 1 April 2021 | 2,994 | 1,991 | 1,432 | 728 | 7,145 |
| Provided for the year | 1,603 | 664 | 209 | 442 | 2,918 |
| Eliminated on written off | – | – | (2) | (333) | (335) |
| At 31 March 2022 | 4,597 | 2,655 | 1,639 | 837 | 9,728 |
| CARRYING VALUES | | | | | |
| At 31 March 2022 | 51,081 | 546 | 236 | 1,616 | 53,479 |
| At 31 March 2021 | 52,684 | 1,210 | 415 | 758 | 55,067 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

| | |
|--|----------------------------|
| Ownership interest in leasehold land and buildings | Over the term of the lease |
| Leasehold improvement | Over the term of the lease |
| Office equipment | 5 years |
| Motor vehicles | 4 years |

As at 31 March 2022, the Group has pledged ownership interest in leasehold land and buildings with carrying values of approximately HK\$51,081,000 (2021: HK\$52,684,000) to secure general banking facilities granted to the Group.

17. LEASE

(a) Right-of-use asset

As at 31 March 2022, the carrying amount of right-of-use asset was approximately HK\$143,000 (2021: HK\$571,000) in respect of the leased property.

The Group has lease arrangements for buildings. The lease term is ranging from 2 to 3 years.

(b) Lease liability

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Non-current | – | 147 |
| Current | 146 | 433 |
| | 146 | 580 |
| | 2022 HK\$'000 | 2021 HK\$'000 |
| Amounts payable under lease liability | | |
| Within one year | 146 | 433 |
| After one year but within two years | – | 147 |
| | 146 | 580 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (146) | (433) |
| Amount due for settlement after 12 months | – | 147 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

17. LEASE (Continued)

(c) Amount recognised in profit or loss

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Depreciation of right-of-use asset | 428 | 429 |
| Interest expenses on lease liability | 8 | 17 |
| Expense related to short-term leases | 238 | 782 |

(d) Others

During the year ended 31 March 2022, the total cash outflow for leases (including short-term leases) amount to approximately HK\$680,000 (2021: HK\$1,223,000).

18. PREPAYMENT AND DEPOSITS PAID FOR LIFE INSURANCE POLICIES

On 29 August 2012 (“**Policy A**”) and 18 September 2013 (“**Policy B**”), the Company entered into life insurance policies with an insurance company on Ms Fung Pik Mei. Under the policies, the beneficiary and policies holder is the Company. The Company is required to pay an upfront payment for the policies. The Company may request a partial surrender or full surrender of the policies at any time and receive cash back based on the value of the policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the “**Cash Value**”). If such withdrawal is made at any time during the first to the thirty-fifth policy year for Policy A and the first to the thirty-fourth policy year for Policy B, as appropriate, a pre-determined specified surrender charge would be imposed.

The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The deposit paid for the life insurance policies carry guaranteed interests at interest rates ranging from 2.0% to 4.0% plus a premium determined by the insurance company during the tenures of the policies. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policies, excluding the financial effect of surrender charge.

Particulars of the policies are as follows:

| Insured sum | Upfront payment | Guaranteed interest rates | |
|--|--|---------------------------|-------------------------|
| | | First year | Second year and onwards |
| Policy A: | | | |
| US\$1,108,000 (equivalent to HK\$8,676,000) (2021: equivalent to HK\$8,583,000) | US\$276,000 (equivalent to HK\$2,161,000) (2021: equivalent to HK\$2,138,000) | 4% per annum | 2% per annum |
| Policy B: | | | |
| US\$1,018,000 (equivalent to HK\$7,971,000) (2021: equivalent to HK\$7,885,000) | US\$280,000 (equivalent to HK\$2,192,000) (2021: equivalent to HK\$2,169,000) | 4% per annum | 2% per annum |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

18. PREPAYMENT AND DEPOSITS PAID FOR LIFE INSURANCE POLICIES (Continued)

The carrying values of prepayment and deposits paid for life insurance policies at the end of each reporting period are set out as below:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---------------|------------------|------------------|
| Deposits paid | 5,980 | 5,737 |
| Prepayment | 192 | 199 |
| | 6,172 | 5,936 |

The carrying values of the prepayment and deposits paid for life insurance policies as at 31 March 2022 and 2021 approximates the Cash Value of the insurance policies and the expected life of the policies remained unchanged from the initial recognition. The entire balance of the life insurance policies are denominated in USD.

Included in the prepayment and deposits paid for life insurance policies are the following amount denominated in a currency other than the functional currency of relevant group entities:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-----|------------------|------------------|
| USD | 5,980 | 5,737 |

As at 31 March 2022, the Group has prepayment and deposits paid for life insurance policies with carrying values of approximately HK\$6,172,000 (2021: nil) to secure general banking facilities granted to the Group.

19. INVENTORIES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Materials and consumables for construction works and trading purpose | 1,864 | 5,753 |
| Goods in transit | 3,972 | 5,061 |
| | 5,836 | 10,814 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

20. TRADE RECEIVABLES

The following is an analysis of trade receivables at the end of each reporting period:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Trade receivables | 32,591 | 33,777 |
| Less: allowance for impairment loss of trade receivables | (1,732) | (1,394) |
| | 30,859 | 32,383 |

The average credit period granted to trade customers ranged from 30 to 60 days.

The following is an aging analysis of trade receivables, net of allowance for impairment loss of trade receivables, presented based on the invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period.

| | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | 18,063 | 23,358 |
| 31 to 60 days | 10,311 | 5,620 |
| 61 to 90 days | 653 | 971 |
| Over 90 days | 1,832 | 2,434 |
| | 30,859 | 32,383 |

Before accepting any new customers, the Group uses internal credit approval procedures to assess the potential customer's credit quality and defines credit limits for each customer.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated collectively by using a provision matrix by reference to historical credit loss experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

20. TRADE RECEIVABLES (Continued)

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

| | Lifetime ECL – not credit- impaired HK\$'000 | Lifetime ECL – credit- impaired HK\$'000 | Total HK\$'000 |
|---|---|---|-------------------|
| At 1 April 2020 | 160 | 1,829 | 1,989 |
| Reversal of impairment losses (<i>note (i)</i>) | (82) | (471) | (553) |
| Written off (<i>note (ii)</i>) | – | (42) | (42) |
| At 31 March 2021 and 1 April 2021 | 78 | 1,316 | 1,394 |
| Increase during the year | 338 | – | 338 |
| At the end of the year | 416 | 1,316 | 1,732 |

Notes:

- (i) During the year ended 31 March 2021, the Group had recognised a reversal of impairment losses on (a) not credit impaired trade receivables of approximately HK\$82,000 as the debtors' credit rating has been improved and (b) credit impaired trade receivables of approximately HK\$471,000 as the amount was recovered from the debtors.
- (ii) The Group had written off trade receivable of approximately HK\$42,000 during the year ended 31 March 2021 as it was past due over 5 years and recoverability from a counter party is remote.

Details of the credit risk exposure and ECL of trade receivable is set out in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--------------------------------|------------------|------------------|
| Deposits and other receivables | 770 | 756 |
| Prepayments | 1,635 | 3,483 |
| | 2,405 | 4,239 |

The Group measures the loss allowance for deposits and other receivables at an amount equal to 12-month ECL. As at 31 March 2022 and 2021, the directors of the Company estimates the 12-month ECL on deposits and other receivables were insignificant.

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

Included in deposits and other receivables is the following amount denominated in a currency other than the functional currency of relevant group entities:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-----|------------------|------------------|
| RMB | 440 | 76 |
| EUR | – | 143 |

| | 2022 HK\$'000 | 2021 HK\$'000 |
|------------------------------------|------------------|------------------|
| Analysed for reporting purpose as: | | |
| Non-current | – | 111 |
| Current | 2,405 | 4,128 |
| | 2,405 | 4,239 |

The significant decrease in prepayments for the year ended 31 March 2022 was mainly due to utilisation of prepayments to suppliers for purchase of materials.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Analysed as current: | | |
| Retention monies receivables | 30,936 | 24,559 |
| Less: allowance for impairment loss of retention monies receivables | (2,679) | (1,951) |
| | 28,257 | 22,608 |
| Amounts due from customers for contract work | 89,720 | 52,148 |
| Less: allowance for impairment loss of amounts due from customers for contract work | (499) | (145) |
| | 89,221 | 52,003 |
| | 117,478 | 74,611 |

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of work. The contract assets are transferred to trade receivables when the rights become unconditional. Upon completion of work and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL. The ECL on certain contract assets are estimated collectively by using a provision matrix by reference to historical credit loss experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The ECL on remaining contract assets are estimated individually for customers with significant balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

22. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

The movement in the allowance for impairment loss of contract assets is set out below:

| | Lifetime ECL – not credit- impaired HK\$'000 | Lifetime ECL – credit- impaired HK\$'000 | Total HK\$'000 |
|---|---|---|-------------------|
| At 1 April 2020 | 698 | 1,667 | 2,365 |
| Reversal of impairment loss (<i>note</i>) | (269) | – | (269) |
| At 31 March 2021 and 1 April 2021 | 429 | 1,667 | 2,096 |
| Increase during the year | 988 | 94 | 1,082 |
| At the end of the year | 1,417 | 1,761 | 3,178 |

Note: The Group had recognised a reversal of impairment losses on not credit impaired contract assets of approximately HK\$269,000 during the year ended 31 March 2021 as the customers' credit rating has been improved.

Details of the credit risk exposure and ECL of contract asset are set out note 6.

(b) Contract liabilities

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Analysed as current: | | |
| Receipt in advance | 4,121 | 3,067 |
| Amounts due to customers for contract works | 2,385 | 328 |
| | 6,506 | 3,395 |

Contract liabilities represent (i) advance from customers in respect of sale of goods and construction contract. In general, the Group receives certain percentage of the contract sum when enter the agreements depends on the negotiation with individual customers. These deposits are recognised as contract liabilities until the services are rendered; and (ii) amounts due to customers for contract work represents the net amount of costs incurred plus recognised profit less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Revenue recognised during the year ended 31 March 2022 that was included in the contract liabilities as at 1 April 2021 is approximately HK\$2,499,000 (2021: HK\$6,739,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits have been pledged to secure short-term bank borrowings and undrawn facilities and are therefore classified as current assets.

The pledged deposits carry fixed interest rate of 0.1% per annum (2021: 0.1% per annum) for the year ended 31 March 2022.

Bank balances and cash

At 31 March 2022, the bank balances in saving accounts carry interest at market rates of 0.01% per annum (2021: 0.01% per annum).

24. TRADE AND BILLS PAYABLES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------|------------------|------------------|
| Trade payables | 14,225 | 19,434 |
| Bills payables | 16,917 | 8,904 |
| | 31,142 | 28,338 |

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

| | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | 13,018 | 17,334 |
| 31 to 90 days | 10,471 | 8,161 |
| 91 to 180 days | 7,384 | 2,574 |
| Over 180 days | 269 | 269 |
| | 31,142 | 28,338 |

The average credit period on purchases of goods is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in the trade and bills payables are the following amounts denominated in a currency other than the functional currency of relevant group entities:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-----|------------------|------------------|
| RMB | – | 356 |
| EUR | 5,125 | 14,612 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

25. ACCRUAL AND OTHER PAYABLES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------|------------------|------------------|
| Accrual | 4,447 | 4,119 |
| Other payables | 163 | 160 |
| | 4,610 | 4,279 |

26. BANK BORROWINGS

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---------|------------------|------------------|
| Secured | 48,512 | 35,897 |

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

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Within one year | 44,394 | 31,386 |
| After one year but within two years | 401 | 393 |
| After two years but within five years | 1,254 | 1,229 |
| Over five years | 2,463 | 2,889 |
| | 48,512 | 35,897 |
| Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause | 4,118 | 4,511 |
| Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause | 44,394 | 31,386 |
| Amount shown under current liabilities | 48,512 | 35,897 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

26. BANK BORROWINGS (Continued)

In addition, the Group bank borrowings carries variable interest rate and the contractual maturity. The ranges of effective interest rates (which are also equal to contracted interest rates) per annum on the Group's bank borrowings are as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-------------------------------|------------------|------------------|
| Effective interest rate: | | |
| Variable-rate bank borrowings | 2.00% to 4.00% | 2.00% to 4.25% |

For the year ended 31 March 2022, the Group obtained new bank borrowings in the amounts of approximately HK\$132,500,000 (2021: HK\$41,000,000). The loans bear interest at market rates and will be repayable in accordance with the repayment schedule of each loan. The proceeds were used to finance the daily operation of the Group.

The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Facility amount | 67,812 | 68,197 |
| Utilisations at 31 March | | |
| – Secured bank borrowings | 48,512 | 35,897 |
| Undrawn facility amount expiring within one year | 19,300 | 32,300 |

As at 31 March 2022, the banking facilities were secured by assets pledged as set out in notes 16, 18 and 23 respectively:

- certain properties of the Group;
- prepayment and deposits paid for life insurance policies; and
- pledged bank deposits of the Group

As at 31 March 2021, the banking facilities were secured by assets pledged as set out in notes 16 and 23 respectively:

- certain properties of the Group; and
- pledged bank deposits of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

27. CONTINGENT LIABILITIES

At 31 March 2022, the Group has been involved in a litigation and potential claim against the Group in relation to work-related injury.

In the opinion of the directors of the Company, as insurance policy has been adopted by the main contractor to cover potential loss, the litigation and potential claim are not expected to have a material impact to the Group. Accordingly, no provision has been made on the consolidated financial statements for the year ended 31 March 2022.

28. DEFERRED TAX LIABILITY

The movements of the deferred tax liability during the current and prior years were as follows:

| | Accelerated tax depreciation HK\$'000 |
|--|---|
| At 1 April 2020 | 168 |
| Acquisition of a subsidiary (<i>note 31</i>) | 205 |
| Credited to profit or loss (<i>note 10</i>) | (227) |
| At 31 March 2021 and 1 April 2021 | 146 |
| Charged to profit or loss (<i>note 10</i>) | 93 |
| At the end of the year | 239 |

At 31 March 2022, the tax losses have been fully utilised (2021: unused tax losses of approximately HK\$8,941,000).

29. SHARE CAPITAL

The share capital as at 31 March 2022 and 2021 represented the share capital of the Company.

| | Number of shares | Share capital HK\$'000 |
|--|-----------------------------|--------------------------------------|
| Ordinary shares of HK\$0.01 each | | |
| <i>Authorised:</i> | | |
| At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 | 2,000,000,000 | 20,000 |
| <i>Issued and fully paid:</i> | | |
| At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 | 800,000,000 | 8,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Bank borrowings HK\$'000 (note 26) | Lease liability HK\$'000 (note 17) | Total HK\$'000 |
|-----------------------------------|---|---|-------------------|
| At 1 April 2020 | 41,396 | 1,004 | 42,400 |
| Financing cash flows | | | |
| – Addition | 41,000 | – | 41,000 |
| – Repayment | (46,499) | (424) | (46,923) |
| – Interest paid | (1,608) | (17) | (1,625) |
| Non-cash changes | | | |
| – Finance costs incurred | 1,608 | 17 | 1,625 |
| At 31 March 2021 and 1 April 2021 | 35,897 | 580 | 36,477 |
| Financing cash flows | | | |
| – Addition | 132,500 | – | 132,500 |
| – Repayment | (119,885) | (434) | (120,319) |
| – Interest paid | (1,315) | (8) | (1,323) |
| Non-cash changes | | | |
| – Finance costs incurred | 1,315 | 8 | 1,323 |
| At the end of the year | 48,512 | 146 | 48,658 |

31. ACQUISITION OF A SUBSIDIARY ACCOUNTED FOR AS ASSETS ACQUISITION

On 27 August 2020, the sale and purchase agreement (the “**Sale and Purchase Agreement**”) was entered into between Fortuna Enterprise Holding Limited (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company, and Mr. Lo Wing Cheung and Ms. Fung Pik Mei (the “**Controlling Shareholders**”), pursuant to which the Purchaser conditionally agreed to acquire and the Controlling Shareholders conditionally agreed to sell 100% of the issued share capital of Sun Warm Holding Company Limited (“**Sun Warm**”), for a total cash consideration of HK\$32,300,000 and the transaction was subject to shareholders' approval. The main asset of Sun Warm is an investment property located in Quarry Bay, Hong Kong. On 19 October 2020, the shareholders of the Company approved, confirmed and ratified the Sale and Purchase Agreement. On 20 October 2020, the transaction has been completed. Details are set out in the circular dated on 22 September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

31. ACQUISITION OF A SUBSIDIARY ACCOUNTED FOR AS ASSETS ACQUISITION (Continued)

On 20 October 2020, the Group acquired 100% of the issued share capital of Sun Warm for cash consideration of approximately HK\$32,236,000 (the “**Acquisition**”). Sun Warm became a wholly-owned subsidiary after the Acquisition. Before the Acquisition, Sun Warm was directly owned by the Controlling Shareholders of the Company. The principal activity of Sun Warm is property investment, and its identifiable asset is mainly property, plant and equipment. The Group elected to apply the optional concentration test in accordance with HKFRS 3 Business Combinations. This Acquisition has been accounted for as an acquisition of asset rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable asset. Sun Warm was acquired so as to acquire the property as an office used for daily operations. The assets acquired and liabilities assumed at the date of acquisition of subsidiary comprise the following:

| | HK\$'000 |
|-------------------------------|----------|
| Property, plant and equipment | 32,265 |
| Other receivables | 26 |
| Tax recoverable | 4 |
| Bank balances and cash | 224 |
| Other payables | (78) |
| Deferred tax liability | (205) |
| Net assets | 32,236 |

Net cash outflow on acquisition of Sun Warm

| | HK\$'000 |
|--|----------|
| Cash consideration paid | 32,236 |
| Less: cash and cash equivalent balances acquired | (224) |
| | 32,012 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to special written resolution of the Company passed on 19 December 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 18 December 2027. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up on the date of grant, upon payment of HK\$1.00. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme and for the years ended 31 March 2022 and 2021.

33. PERFORMANCE BOND

At the end of the reporting period, the Group had provided the following guarantees:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Guarantees in respect of performance bonds in favour of its customers | 12,815 | 10,456 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

34. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the consolidated financial statements during the year, the Group entered into transactions with related party as follows:

| Related party | Nature of transaction | 2022 HK\$'000 | 2021 HK\$'000 |
|---------------------|-----------------------------|------------------|------------------|
| Sun Warm (note (i)) | Rental expenses (note (ii)) | – | 546 |

Notes:

- (i) Sun Warm was previously owned by the executive directors of the Company. On 19 October 2020, Sun Warm was acquired by the Group and become a wholly-owned subsidiary of the Group as set out in note 31 to the consolidated financial statements.
- (ii) During the year ended 31 March 2021, Sun Warm leased a property to the Group for a lease term of one year, where the lease was accounted as a short-term lease under HKFRS 16. Amount represented total rental expenses paid before the Acquisition.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel for the year was as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--------------------------|------------------|------------------|
| Short-term benefits | 8,092 | 7,248 |
| Post-employment benefits | 85 | 90 |
| | 8,177 | 7,338 |

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. RETIREMENT BENEFIT SCHEME

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

The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

For the year ended 31 March 2022, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK\$474,000 (2021: HK\$463,000) represents contributions payable to the MPF scheme by the Group in respect of the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

36. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2022 HK\$'000 | 2021 HK\$'000 |
|-------------------------------|-------|------------------|------------------|
| Non-current asset | | | |
| Investment in a subsidiary | (a) | 44,596 | 44,596 |
| Current assets | | | |
| Amounts due from subsidiaries | (b) | 102,045 | 104,450 |
| Bank balances and cash | | 4,067 | 4,068 |
| | | 106,112 | 108,518 |
| Current liability | | | |
| Accrual and other payables | | 57 | 24 |
| Net current assets | | 106,055 | 108,494 |
| | | 150,651 | 153,090 |
| Capital and reserves | | | |
| Share capital | | 8,000 | 8,000 |
| Reserves | (c) | 142,651 | 145,090 |
| | | 150,651 | 153,090 |

Notes:

(a) As at 31 March 2022 and 2021, investment in a subsidiary is carried at cost of approximately HK\$44,596,000.

(b) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(c) **Movements in reserves**

| | Share premium HK\$'000 | Capital reserve HK\$'000 (Note) | Retained profits (Accumulated losses) HK\$'000 | Total HK\$'000 |
|--|------------------------------|--|---|-------------------|
| At 1 April 2020 | 103,940 | 44,572 | (11,452) | 137,060 |
| Profit and total comprehensive income for the year | – | – | 8,030 | 8,030 |
| At 31 March 2021 and 1 April 2021 | 103,940 | 44,572 | (3,422) | 145,090 |
| Profit and total comprehensive income for the year | – | – | 11,561 | 11,561 |
| Dividends paid (note 14) | (14,000) | – | – | (14,000) |
| At 31 March 2022 | 89,940 | 44,572 | 8,139 | 142,651 |

Note: Capital reserve represented the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company upon reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

| Name of subsidiary | Place of incorporation/ registered/ operation | Issued and fully paid ordinary share capital/ registered capital | Percentage of ownership interest and voting power attributable to the Company | | | | Principal activities |
|--|---|---|--|------|------------|------|--|
| | | | Directly | | Indirectly | | |
| | | | 2022 | 2021 | 2022 | 2021 | |
| Fortuna Enterprise Holdings Limited | BVI | USD 1 | 100% | 100% | - | - | Investment holding |
| Kwan Tai Engineering Co., Limited | Hong Kong | HK\$5,000,000 | - | - | 100% | 100% | Trading of building materials and provision of construction and engineering services |
| Kwan Tai Engineering Co., Limited (Macau) | Macau | MOP25,000 | - | - | 100% | 100% | Inactive |
| Kwan Tai Engineering (China) Co., Limited | Hong Kong | HK\$10,000 | - | - | 100% | 100% | Inactive |
| 鈞泰(深圳)建築材料有限公司 Kwan Tai Engineering (Shenzhen) Co., Limited* (Note 1) | the PRC | RMB500,000 | - | - | 100% | 100% | Inactive |
| Sun Warm | Hong Kong | HK\$10,000 | - | - | 100% | 100% | Property investment |

Note:

(1) It is a wholly-owned foreign enterprise.

None of the subsidiaries had issued any debt securities outstanding at the end of both years or at any time during both years.

* The English translation is for identification purposes only.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years is as follows.

RESULTS

| | For the year ended 31 March | | | | |
|-------------------------------|-----------------------------|------------------|------------------|------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Revenue | 337,372 | 311,754 | 157,046 | 230,066 | 280,061 |
| Profit/(loss) before taxation | 15,330 | 11,112 | (23,670) | 1,311 | 5,584 |
| Income tax credit/(expenses) | (1,588) | 188 | (150) | (542) | (3,256) |
| Profit/(loss) for the year | 13,742 | 11,300 | (23,820) | 769 | 2,328 |

ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Assets | | | | | |
| Non-current assets | 59,794 | 61,685 | 30,849 | 31,034 | 31,909 |
| Current assets | 192,897 | 171,642 | 182,792 | 195,399 | 203,120 |
| Total assets | 252,691 | 233,327 | 213,641 | 226,433 | 235,029 |
| Equity and Liabilities | | | | | |
| Total equity | 156,289 | 156,547 | 145,247 | 169,067 | 168,560 |
| Non-current liabilities | 239 | 293 | 748 | 57 | 263 |
| Current liabilities | 96,163 | 76,487 | 67,646 | 57,309 | 66,206 |
| Total liabilities | 96,402 | 76,780 | 68,394 | 57,366 | 66,469 |
| Total equity and liabilities | 252,691 | 233,327 | 213,641 | 226,433 | 235,029 |

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