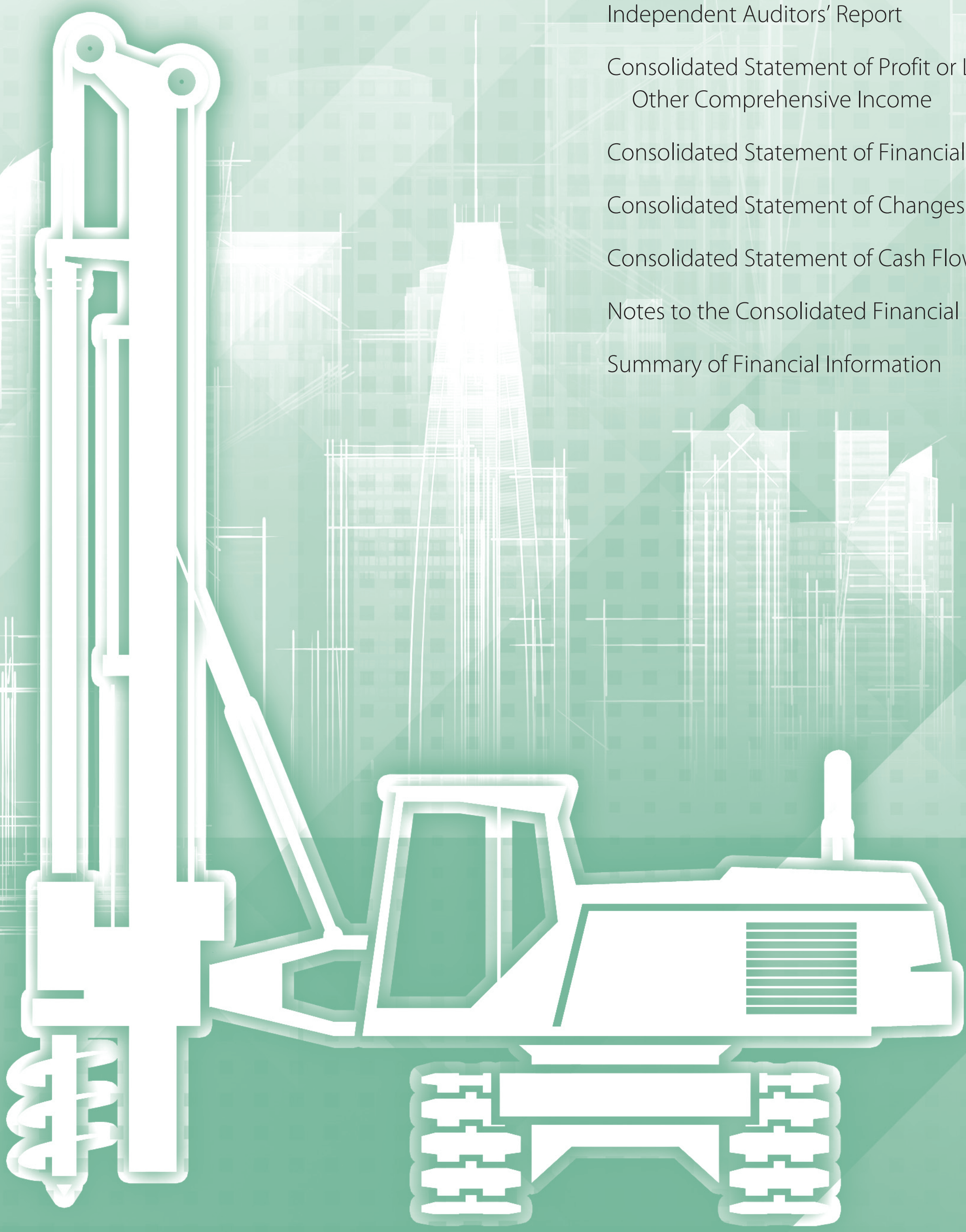
Shun Wo Group Holdings Limited
汛和集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1591

2022
ANNUAL REPORT

Contents



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Yan Hung *(Chairman)*
Mr. Wong Tony Yee Pong *(Chief executive officer)*
Mr. Lai Kwok Fai *(Chief operating officer)*

Independent Non-Executive Directors

Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

AUDIT COMMITTEE

Mr. Tam Wai Tak Victor *(Chairman)*
Mr. Law Ka Ho
Mr. Leung Wai Lim

REMUNERATION COMMITTEE

Mr. Law Ka Ho *(Chairman)*
Mr. Leung Wai Lim
Mr. Wong Tony Yee Pong

NOMINATION COMMITTEE

Mr. Wong Yan Hung *(Chairman)*
Mr. Law Ka Ho
Mr. Tam Wai Tak Victor

COMPANY SECRETARY

Mr. Chui Gary Wing Yue

AUTHORISED REPRESENTATIVES

Mr. Wong Tony Yee Pong
Mr. Chui Gary Wing Yue

REGISTERED OFFICE

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 7th Floor
Sai Wan Ho Plaza
68 Shaukeiwan Road
Hong Kong

LEGAL ADVISER

David Fong & Co.
Solicitors, Hong Kong
Unit A, 12/F
China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL BANK

Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.swgrph.com

STOCK CODE

1591

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Shun Wo Group Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I would like to present to our shareholders the annual report of the Group for the year ended 31 March 2022 (the "**Review Year**").

The Review Year was certainly a year full of challenges and surprises for the Group. The Group recorded a historical high in revenue of approximately HK$242.3 million, a substantial growth of 67.8% year-on-year and a net loss of approximately HK$4.5 million, a reduction of loss of approximately HK$1.6 million year-on-year. The narrowed loss was mainly the results of adjustment of tender pricing policy, effective sourcing strategy and efficient cost control management but substantially eroded by the soaring raw material prices, fuels and logistics costs. As the increasing trend of raw materials prices are expected to continue and unlikely to drop significantly within a short period of time, the Group will need to put more efforts in the tender pricing policy and costs control management to mitigate the impact of the high production costs.

Despite the Hong Kong economy saw a marked deterioration in the first quarter of 2022, with real GDP contracting by 4.0% year-on-year, caused by the fifth wave of coronavirus disease 2019's pandemic (the "**COVID-19**"), the Group believes that adverse economic effects will be transitory and COVID-19 will not dampen the long-term development of foundation industry in Hong Kong. The Group will continue to take necessary measures to safeguard the interests of our employees and shareholders and minimise the impact of the COVID-19 to the Group's financial and operational performances. Nevertheless, the Group continued to maintain a sound financial position and had no outstanding debts.

Besides that, I am optimistic about the prospects of the Group due to its well established presence, dedicated management, proven ability and a healthy financial position. The Group will continue focusing on its core business and closely monitor the latest development in the foundation industry, in order to prepare for future opportunities, while maximising our shareholders' value.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the management team and staff for their hard work and contributions, and to the shareholders, investors and business partners for their trust and support.

The Board does not recommend the declaration of final dividend for the Review Year.

Wong Yan Hung
Chairman

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group has more than 20 years history in Hong Kong's foundation industry, specialising in excavation and lateral support works, socketed H-piling and mini-piling works and pile caps construction works. Hop Kee Construction Company Limited ("**Hop Kee**"), the principal operating subsidiary, is registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of "Foundation Works" category since December 2009.

As at 31 March 2022, the Group had a total of 9 ongoing projects (including projects that have commenced but not completed as well as projects that have been awarded but not yet commenced) and the original contract sum of these projects are approximately HK$422.4 million.

Subsequent to 31 March 2022 and up to the date of this report, two more new projects with the original contract sum of approximately HK$149.7 million were awarded to the Group.

Although the challenging business operating environment of the foundation industry was further exacerbated, the Group reported a new record high in revenue and narrowed its net loss to HK$4.5 million during the Review Year.

As mentioned in the interim report for the six months ended 30 September 2021 published on 17 December 2021, amid the most challenging and uncertain period from the COVID-19 pandemic, the Group has been actively reforming and seeking new business opportunities for the Group's sustainable development. In July 2021, the Group's principal operating subsidiary, Hop Kee was included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works of land piling (Group II) for Rock-socketed Steel H-pile in Pre-bored Hole and Steel H Pile under the Development Bureau. Hence, it would create more business opportunities for carrying out the above categories of specialist works in the government and public sector.

Looking forward, the keen competition amongst the market players persist in the foundation industry, coupled with the increasing trend of the costs of the raw materials, fuels and logistics will exert pressure on the business of the Group. However, the Group will continue to strengthen its market positions, enhance the Group's competitive strengths and remain optimistic about the future.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately HK$242.3 million for the Review Year, representing an increase of approximately HK$97.9 million or 67.8% compared to the corresponding year ended 31 March 2021. The increase in revenue was mainly because of the award of few sizable construction projects in early 2021 and undertaken during the Review Year.

Gross profit and gross profit margin

The gross profit of the Group was approximately HK$17.4 million for the Review Year, representing a decrease of approximately HK$5.7 million or 24.7% compared to the corresponding year ended 31 March 2021. The gross profit margin was approximately 7.2% for the Review Year, representing a drop of 8.8 percentage points ("**p.p**") compared to the corresponding year ended 31 March 2021 of approximately 16.0%.

The decrease in gross profit and gross profit margin was the result of the unprecedented increases in raw materials prices, fuels and logistics costs since the second half of the Review Year. The Group will continue to re-adjusting its tender pricing policy in order to maintain a healthy gross profit margin.

Other income, other gains and losses

For the Review Year, the other income, other gains and losses of the Group was approximately HK$1.5 million, representing a decrease of approximately HK$3.4 million or 69.4% compared to the corresponding year ended 31 March 2021. The significant decrease was due to the decrease in rental income and no government grants (mainly employment support scheme) was received during the Review Year.

Management Discussion and Analysis

Administrative and other operating expenses

For the Review Year, the administrative and other operating expenses was approximately HK$22.4 million, representing a decrease of approximately HK$0.4 million or 1.8% compared to the corresponding year ended 31 March 2021. The decrease was the result of the implementation of more stringent controls over the general expenditure during the Review Year.

Net impairment losses on financial assets and contract assets

For the Review Year, the net impairment losses on financial assets and contract assets was approximately HK$1.0 million, representing a decrease of approximately HK$10.6 million or 91.4% compared to the corresponding year ended 31 March 2021. The significant decrease was due to improvement in the collection of receivables from the customers.

Net loss

As a result of the aforesaid, a net loss of the Group was approximately HK$4.5 million for the Review Year, representing a reduction of loss of approximately HK$1.6 million, compared to the corresponding year ended 31 March 2021.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to minimising the impact on the environment from our business activities and the details of such effects are set out in the section headed "Environmental, Social and Governance Report" (the "**ESG Report**") and "Directors' Report" on pages 24 to 40 and pages 41 to 48 in this report respectively.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

During the Review Year, there has been no change in capital structure of the Group.

As at 31 March 2022, the Group had total bank balances (including pledged bank deposit) of approximately HK$23.0 million (31 March 2021: approximately HK$44.8 million).

As at 31 March 2022 and 2021, the Group had no debts outstanding.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

GEARING RATIO

As at 31 March 2022, the gearing ratio (calculated as total borrowings divided by the total equity) was Nil (31 March 2021: Nil).

PLEDGE OF ASSETS

As at 31 March 2022, the Group had approximately HK$5.0 million of bank deposit being pledged to secure the banking facility granted to the Group (31 March 2021: HK$5.0 million).

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Review Year.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the Review Year, the Group invested approximately HK$2.5 million in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no material capital commitments or contingent liabilities.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Review Year, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT

During the Review Year, the Group had no significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Use of Proceeds", the Group did not have any other plans for material investments or capital assets during the Review Year.

USE OF PROCEEDS

The net proceeds (the "**Net Proceeds**") received by the Group, after deducting related expenses were approximately HK$84.2 million. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 12 September 2016 (the "**Prospectus**") and the announcement of the Company dated on 8 January 2021. Such revised uses include: (i) acquisition of excavators, cranes and breakers; (ii) strengthening the workforce and manpower; (iii) increasing marketing efforts; (iv) funding of general working capital; (v) financing the up-front costs of projects; and (vi) financing the issuance of performance bonds. Details of the revised use of the proceeds are listed as below:

	Original allocation HK$'000	Revised allocation HK$'000	Actual Usage up to 31 March 2021 HK$'000	Actual Usage during the Review Year HK$'000	Actual Usage up to 31 March 2022 HK$'000	Unutilised Usage up to 31 March 2022 HK$'000	Expected timeline for fully utilising the remaining Net Proceeds (Note) HK$'000
Acquiring excavators, cranes and breakers	55,000	41,000	33,164	2,440	35,604	5,396	On or before 31 March 2023
Strengthening the workforce and manpower	15,000	15,000	15,000	–	15,000	–	Not applicable
Increasing marketing efforts	6,200	4,200	4,200	–	4,200	–	Not applicable
Funding of general working capital	8,000	8,000	8,000	–	8,000	–	Not applicable
Financing the up-front costs of projects	–	12,000	2,604	9,396	12,000	–	Not applicable
Financing the issuance of performance bonds	–	4,000	–	–	–	4,000	On or before 31 March 2023
Total	84,200	84,200	62,968	11,836	74,804	9,396	

Note: The previous revised timeline for fully utilising the remaining Net Proceeds was 31 March 2022 but the Board has decided to postpone the timeline until 31 March 2023 due to (i) the current development of the Group's business and the industry; (ii) there was no requirement of issuance of performance bonds for the newly awarded projects during the Review Year.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed a total of 72 full-time employees (including executive Directors), as compared to a total of 61 full-time employees as at 31 March 2021. Remuneration is determined with reference to the market terms and the performance, qualifications and experience of the individual employee. In addition to basic salary, performance-linked bonus is offered to those staff with special contributions to the Group, in order to attract and retain capable employees. The total remuneration cost incurred by the Group for the Review Year was approximately HK$31.1 million compared to approximately HK$31.4 million in the corresponding year ended 31 March 2021.

Biographical Details of the Directors and Senior Management

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

DIRECTORS

Executive Directors

Mr. WONG Yan Hung (黃仁雄) ("**Mr. YH Wong**"), aged 63, is one of the controlling shareholders, the chairman of the Board and an executive Director of the Group. He joined the Group in June 1995 and is the founder of the Group. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. YH Wong is responsible for the overall business development as well as financial and strategic planning of the Group. He has more than 20 years of experience in the foundation industry. He is the father of Mr. Tony Wong. For Mr. YH Wong's interest in the shares of the Company (the "**Shares**") within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), please refer to the section headed "Directors' Report" in this report.

Mr. WONG Tony Yee Pong (黃義邦) (former name: WONG Yee Pong (黃義邦)) ("**Mr. Tony Wong**"), aged 39, is one of the controlling shareholders, the chief executive officer and an executive Director of the Group. He joined the Group in March 2008. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Tony Wong is mainly responsible for the overall management of the business operation as well as project management and supervision. He has more than 10 years of experience in the foundation industry and obtained his degree of Bachelor of Science from Simon Fraser University in Canada in February 2008. He is the son of Mr. YH Wong. For Mr. Tony Wong's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Directors' Report" in this report.

Mr. LAI Kwok Fai (黎國輝) ("**Mr. Lai**"), aged 63, is one of the controlling shareholders, the chief operating officer and an executive Director of the Group. He joined the Group in May 1996. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Lai is mainly responsible for the overall business operation and strategic planning of the Group. He has more than 20 years of experience in the foundation industry. For Mr. Lai's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Directors' Report" in this report.

Biographical Details of the Directors and Senior Management

Independent non-executive Directors

Mr. LAW Ka Ho (羅嘉豪) ("**Mr. Law**"), aged 39, was appointed as the independent non-executive Director in September 2016. He obtained a degree of Bachelor of Business Administration from the Chinese University of Hong Kong in December 2004. He was admitted as a member of the Association of Chartered Certified Accountants in November 2008 and a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

From July 2004 to August 2005, Mr. Law was employed as an audit trainee by Chan Chee Cheng & Co. Certified Public Accountants. From August 2005 to February 2006, he served as an accountant in HLB Hodgson Impey Cheng. He subsequently joined Shu Lun Pan Hong Kong CPA Limited from February 2006 to April 2009 at which his last position was audit senior. In May 2009, he joined BDO Limited as a senior associate and was subsequently promoted to a manager in October 2010 until he left the firm in May 2014. Since December 2014, he has joined the group of Hao Tian International Construction Investment Group Limited (formerly known as Clear Lift Holdings Limited) (stock code: 1341), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), with his current position as financial controller.

Mr. LEUNG Wai Lim (梁唯廉) ("**Mr. Leung**"), aged 49, was appointed as the independent non-executive Director in September 2016. He is (i) a Member of the Transport Tribunals' Panel appointed by Secretary for Transport and Housing Since 2017; (ii) a Member of the Transportation and Logistics Committee (Co-option) of The Law Society of Hong Kong since 2018; (iii) a Member of Patient Complaint Committee of the Prince Philip Dental Hospital since 2021 and (iv) a Member of Admiralty Court Users' Committee appointed by Chief Justice of HKSAR since 2013. Mr. Leung was an adjudicator appointed to the Panel of Adjudicators (Control of Obscene and Indecent Articles) (established under the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)) (2015–2020) and a member of the Board of Review (Inland Revenue Ordinance) in Hong Kong (2015–2020).

Mr. Leung has over 20 years of law related working experience. He was employed by DLA Piper from February 2001 to April 2009 at which his last position was partner. He was then employed by Eversheds from May 2009 to April 2015 at which his last position was partner. He is a partner of Howse Williams (previous known as Howse Williams Bowers) since May 2015. Mr. Leung obtained a bachelor's degree in law from University of Wales in United Kingdom in July 1995. He was admitted to practise law as a solicitor in Hong Kong in August 1999 and in England and Wales in April 2001. He is also currently an independent non-executive director of China New Economy Fund Limited (stock code: 0080) since October 2018 and Yield Go Holdings Ltd. (stock code: 1796) since December 2018.

Mr. TAM Wai Tak Victor (譚偉德) ("**Mr. Tam**"), aged 44, was appointed as the independent non-executive Director in September 2016. He graduated with a degree of Bachelor of Arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in February 2010 and a member of the Hong Kong Institute of Certified Public Accountants in July 2005.

Mr. Tam has approximately 20 years of experience in the field of auditing, accounting and financial management. From January 2002 to February 2005, he was employed as an audit assistant at an audit firm in Hong Kong and was subsequently promoted to senior auditor. From April 2005 to January 2010, he worked at Grant Thornton at which his last position was manager. From January 2010 to November 2010, he served as a financial controller for a private company. From January 2011 to January 2013, he worked at BDO Limited at which his last position was senior manager. Since January 2013, he has joined the group of Differ Group Holding Company Limited (stock code: 6878), the shares of which are listed on the Main Board of the Stock Exchange, with his current position as financial controller. He is also currently an independent non-executive director of Twintek Investment Holdings Limited (stock code: 6182) since December 2017 and GT Steel Construction Group Limited (stock code: 8402) since June 2017. He was an independent non-executive director of Cool Link (Holdings) Limited (stock code: 8491) from August 2017 to May 2019.

Biographical Details of the Directors and Senior Management

Senior Management

Mr. SHUM Kwo Foo (岑果夫) ("**Mr. Shum**"), aged 73, is the technical director and joined the Group in August 2008. He is mainly responsible for supervising and providing technical support to the performance of foundation works. He is also a director of Hop Kee Construction Company Limited.

Mr. Shum has over 40 years of experience in the construction industry and obtained a degree of Bachelor of Science in engineering from The University of Hong Kong in October 1971. He was admitted as a member of the Institution of Structural Engineer in June 1977, a member of the Hong Kong Institution of Engineers in March 1979 and a member of the Institution of Civil Engineer in June 1981. He is included in the Authorised Person's Register (List of Engineers), Structural Engineers' Register and Geotechnical Engineers' Register kept under section 3 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). He is also a registered professional engineer registered with the Engineers Registration Board under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong).

Mr. CHUI Gary Wing Yue (徐永裕) ("**Mr. Chui**"), aged 46, is the financial controller and the company secretary and joined the Group in August 2015. He is mainly responsible for overseeing the financial reporting, financial planning, financial control, treasury and company secretarial matters.

Mr. Chui has over 20 years of experience in auditing, accounting, financial management, taxation and treasury. He obtained a degree of Bachelor of Commerce in accounting and finance from the University of New South Wales in Australia in October 1998 and a degree of Master of Economics in finance from the Jinan University (暨南大學) in the PRC in December 2012. He is a member of certified practising accountant of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

STATEMENT OF COMPLIANCE

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability because the Group believes that is the best way to maximise our shareholder's value. The Board periodically reviews the daily corporate governance practices and procedures of the Group and procures the Group to strictly comply with relevant laws and regulations, and the rules and guidelines of regulatory bodies.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). To the best knowledge of the Board, the Company has complied with the CG code during the Review Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard during the Review Year.

THE BOARD

Composition

As at the date of this report, the Board is chaired by Mr. Wong Yan Hung and comprised of six members including three executive Directors and three independent non-executive Directors.

Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this report. Save for Mr. Wong Yan Hung being the father of Mr. Wong Tony Yee Pong, there are no financial, business, family or other material/ relevant relationships among members of the Board.

The list of Directors with their role and function is available on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.swgrph.com).

Executive Directors

Mr. Wong Yan Hung *(Chairman)*
Mr. Wong Tony Yee Pong *(Chief executive officer)*
Mr. Lai Kwok Fai *(Chief operating officer)*

Independent non-executive Directors

Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

The Board has adopted three policies including board diversity policy (the "**Board Diversity Policy**"), nomination policy (the "**Nomination Policy**") and dividend policy (the "**Dividend Policy**").

(i) The Board Diversity Policy which sets out the approach to achieve diversity on the Board is summarised as follows:

- the Company recognises and embraces the benefits of having a diverse Board to enhance the quality and effectiveness of the Board;

- in designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;

- the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board; and

- the nomination committee of the Board will report on the Board's composition under diversified perspectives, monitor the implementation of the Board Diversity Policy, review the Nomination Policy and the Board Diversity Policy to ensure effectiveness and recommend for any revisions to the Board for consideration and approval.

(ii) The Nomination Policy which sets out the criteria and procedures for the selection, appointment/re-appointment of Directors is summarised as follows:

- the selection of candidates or re-appointment of any existing member(s) of the Board will be based on the following criteria:

  (a) reputation for integrity;

  (b) accomplishment, experience and reputation in the industry;

  (c) commitment to devote sufficient time and relevant interest;

  (d) diversity perspectives as mentioned in the Board Diversity Policy;

  (e) ability to assist and support the management of the Group;

  (f) independence for the independent non-executive Directors as defined in the Listing Rules; and

  (g) any other relevant factors as may be determined by the Board from time to time.

- The nomination and selection procedures are:

  (a) the Board shall review, from time to time the structure, size, and diversity of the Board;

  (b) proposed candidate(s) will be asked to submit the necessary personal information in order for the Board to assess the suitability of the candidate(s) based on the above listed criteria;

  (c) when any existing member(s) of the Board is subject to re-selection according the articles of association of the Company, the Board shall apply the above listed criteria to the proposed candidate(s) on his/her/their re-appointment; and

  (d) the Board shall ensure the procedures of the nomination, selection and appointment/re-appointment to comply with the articles of association of the Company, the law of the Cayman Islands and the Listing Rules.

(iii) The Dividend Policy which sets out the criteria and principals which the Board considers if the dividends should be paid to shareholders of the Company in according to the Dividend Policy is summarised as follows:

- The Board shall consider the following factors regarding the recommending/determining the frequency, amount and form of any dividend in any financial year/period:

  (a) the Group's operating results, actual and expected financial performance;

  (b) the retained earnings and distributable reserves of the Company;

  (c) the Group's cash flow and liquidity position, capital requirements and future expenditure plans;

  (d) the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

  (e) general economic conditions, business cycle of Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

  (f) any other factor that the Board deems appropriate and relevant.

The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period and are subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the position of the chairman and chief executive officer of the Company are held by different individuals. Mr. Wong Yan Hung is the chairman and Mr. Wong Tony Yee Pong is the chief executive officer. The primary role of the chairman is to provide leadership for the Board and to ensure it works effectively in discharging its responsibilities. The chairman is also responsibility for ensuring good corporate governance practices and procedures are established. The chief executive officer is responsible for the day-to-day management of the Group's business.

Independent Non-executive Directors

The independent non-executive Directors give the Board the benefit of their skills, expertise, various background and experiences. Through active participation in Board meetings and servicing on various Board committees, the independent non-executive Directors bring in independent judgement to bear issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They also make valuable contributions to the effective direction and strategic decision-making of the Group.

During the Review Year and up to the date of this report, the Company has three independent non-executive Directors representing more than one-third of the Board, which is in compliance with rules 3.10(1) and 3.10A of the Listing Rules. Two of the independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Tam Wai Tak Victor, both possessing professional accounting qualifications, or accounting or related financial management expertise, which is in compliance with rule 3.10(2) of the Listing Rules.

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

Corporate Governance Report

Appointment, Re-election and Removal of Directors

Each of the executive and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company for a specific term and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the amended and restated memorandum and articles of association (the "**Restated Articles**").

In accordance with article 108 of the Restated Articles, at each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Restated Articles, Mr. Wong Yan Hung and Mr. Leung Wai Lim will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, and offer themselves for re-election.

Role and Responsibilities

The Board is responsible for the overall management of the Group and all day-to-day operations and management of the Company's business has been delegated to management under the leadership of the chief executive officer of the Company.

The principal roles of the Board are:

- setting long term objectives and strategies;
- approving major policies and guidelines;
- preparing and approving financial statements, annual report and interim report;
- approving major capital expenditures, acquisition and disposals;
- approving connected transactions;
- establishing Board committees;
- approving material borrowings and expenditures;
- reviewing and monitoring of risk management and internal control;
- discussing the need of establishing the internal audit department; and
- declaring and recommending the payments of dividends.

The Board is also responsible for the corporate governance functions of the Company, which includes:

- reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and
- reviewing the Company's compliance with the CG code and disclosure in the corporate governance report.

Directors are required to declare their interest (if any) in the matters to be considered at the Board meetings in accordance with the Restated Articles. Should a potential conflict of interest involving a substantial shareholder of the Company or a Director arise, the matter will be dealt with a physical meeting rather than by written resolution. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. Pursuant to the Restated Articles, a Director who is considered to be materially interested in the matter shall abstain from voting on the resolution approving such matter.

Directors' Insurance

The Company has arranged appropriate insurance coverage for all Directors in relation to the discharge of their responsibilities.

Directors' Training and Professional Development

The Company, from time to time, provides in-house trainings for the Directors in the form of seminars, workshops and/or reading relevant material on the latest development of applicable laws, rules and regulations, management, financial and business issues to develop and refresh their knowledge and skills. The Company also provides comprehensive, formal and tailored induction for newly appointed Directors. The above training costs are borne by the Company.

The Directors are required to provide the Company with details of the training's records. Based on those training's record, the Directors received the following training during the Review Year:

	Type of training	
Directors:	**Reading and/or on-line studying**	**Seminars/Webinars and/or workshops**
Mr. Wong Yan Hung	✓	✓
Mr. Wong Tony Yee Pong	✓	✓
Mr. Lai Kwok Fai	✓	✓
Mr. Law Ka Ho	✓	✓
Mr. Leung Wai Lim	✓	✓
Mr. Tam Wai Tak Victor	✓	✓

Corporate Governance Report

Board Process

The Company has in place clear board process. Regular Board meetings are scheduled at least four times per year. Directors receive at least 14 days' prior written notice of regular Board meetings and agenda. The Board papers, including supporting analysis and relevant background information, are normally sent to all Directors at least 3 days before the Board meeting. For other Board meetings, Directors are given notice as soon as possible in the circumstances. Directors may include any matters they wish to discuss in the agenda. Directors may attend the meeting in person, by phone or by other communication means, provided that all persons participating in the meeting are capable of hearing and being heard by each other.

Other than regular Board meetings, the Chairman also meets with independent non-executive Directors without the presence of executive Directors.

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company, and are open for inspection by Directors upon request. Draft and final version of minutes of each Board meeting are sent to all Directors for their comments and records respectively within a reasonable time. All Directors have access to the advice and services of the company secretary, and are allowed to seek external professional advice if needed.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group during the Review Year.

Shareholders' Meeting

At the last annual general meeting of the Company held on Thursday, 9 September 2021, the Chairman of the Board and all Board members as well as the external auditor were present to communicate with shareholders. Procedures for poll voting on the proposed resolutions were explained at the meeting by the company secretary. The Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, acted as scrutineers to ensure the votes were properly counted and the poll results were published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.swgrph.com).

Except for the annual general meeting, the Company did not convene any other shareholders' meeting during the Review Year.

During the Review Year, the Board held five meetings. The attendance record of the Board meetings and the annual general meeting are set out below:

	Board meetings attended/ Eligible to attend	Annual general meeting attended/ Eligible to attend
Executive Directors:		
Mr. Wong Yan Hung	5/5	1/1
Mr. Wong Tony Yee Pong	5/5	1/1
Mr. Lai Kwok Fai	5/5	1/1
Independent Non-executive Directors:		
Mr. Law Ka Ho	5/5	1/1
Mr. Leung Wai Lim	5/5	1/1
Mr. Tam Wai Tak Victor	5/5	1/1

BOARD COMMITTEES

To facilitate the work of the Board, the Board has established three Board committees to oversee specific aspects of the Company's affairs, namely audit committee (the "**Audit Committee**"), nomination committee (the "**Nomination Committee**") and remuneration committee (the "**Remuneration Committee**"). Each Board committee has its own terms of reference relating to its authority and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of each committee are available on the websites of the Company and the Stock Exchange.

Each Board committee has been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company established the Audit Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor and perform the corporate governance function.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Tam Wai Tak Victor is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the external auditors of the Company. The Audit Committee has reviewed the consolidated financial statements for the Review Year. The Audit Committee was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

During the Review Year, the Audit Committee held two meetings. The attendance record of the Audit Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Tam Wai Tak Victor *(Chairman)*	2/2
Mr. Law Ka Ho	2/2
Mr. Leung Wai Lim	2/2

The following is a summary of the major work performed by the Audit Committee:

- reviewed the interim results of the Group;
- reviewed the annual results of the Group;
- reviewed the Group's financial information and financial reporting system;
- reviewed the Company's auditors' independence and objectivity;
- made recommendations to the Board on the re-appointment of the Company's external auditors;

- approved the remuneration and terms of engagement of the Company's external auditors;
- reviewed the Company's external auditors' management letter, significant findings and recommendations;
- reviewed the continuing connected transactions and commented on the fairness and reasonableness of the transactions;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed and discussed the reports from the Company's external professional firm with the management;
- reviewed the Group's internal control system and discussed the relevant issues including environmental. social and governance (the "**ESG**"), financial, operational and compliance controls and risks management functions;
- reviewed the Group's ESG performance and reporting;
- reviewed the terms of reference of the Audit Committee and made recommendation to the Board for approval;
- reviewed the Company's compliance with the CG code and disclosure in the corporate governance report; and
- met with the Company's external auditors, in the absence of the management.

There had been no disagreement between the Board and the Audit Committee during the Review Year and up to this date of this report.

Nomination Committee

The Company established the Nomination Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board, access the independence of the independent non-executive Directors and make recommendations to the Board regarding appointment of Board members and senior management of the Group.

The Nomination Committee consists of an executive Director, namely Mr. Wong Yan Hung and two independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Tam Wai Tak Victor. Mr. Wong Yan Hung is the chairman of the Nomination Committee.

During the Review Year, the Nomination Committee held two meetings. The attendance record of the Nomination Committee is set out below:

Name of committee members	Meeting attended/ Eligible to attend
Mr. Wong Yan Hung *(Chairman)*	2/2
Mr. Law Ka Ho	2/2
Mr. Tam Wai Tak Victor	2/2

The following is a summary of the major work performed by the Nomination Committee:

- reviewed the term of reference of the Nomination Committee and made recommendation to the Board for approval;
- reviewed the structure, size and composition and diversity of the Board;
- considered the latest update on board diversity and director independence;
- assessed and confirmed the independence of the independent non-executive Directors;
- reviewed the Nomination Policy and the Board Diversity Policy and made recommendation to the Board for approval; and
- recommended the re-election of the retiring Directors.

Remuneration Committee

The Company established the Remuneration Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management, and make recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board.

The Remuneration Committee consists of an executive Director, namely Mr. Wong Tony Yee Pong and two independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Law Ka Ho is the chairman of the Remuneration Committee.

The Board is ultimately responsible for the Company's Remuneration Policy. The Remuneration Committee has been delegated powers to recommend the remuneration policy and structure of all Directors and senior management whilst ensuring no Director is involved deciding his own remuneration.

In order to make recommendations to the Board on the remuneration packages of all Directors and senior management, the Remuneration Committee is required to follow the Remuneration Policy of the Company, that among others, the remuneration should reflect performance and achievements with a view to attracting, motivating and retaining high performing individuals. All Directors shall be entitled to receive directors' fee as shall from time to time be determined by the Company in general meeting or, if authorised by shareholders, by the Board. The remuneration of Directors and senior management for the year were determined after reviewing the pay levels of their peers in corporations of similar size and industry and having taken into account the prevailing market practice, workload, scale and complexity of the Company's business and the responsibility involved.

During the Review Year, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$0 to HK$1,000,000	2

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in note 8 to the consolidated financial statements.

During the Review Year, the Remuneration Committee held two meetings. The attendance record of the Remuneration Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Law Ka Ho *(Chairman)*	2/2
Mr. Leung Wai Lim	2/2
Mr. Wong Tony Yee Pong	2/2

The following is a summary of the major work performed by the Remuneration Committee:

- reviewed the term of reference of the Remuneration Committee and made recommendation to the Board for approval;
- considered the remuneration paid to Directors and senior management with reference to their responsibilities, workload, the time devoted and the performance of the Group, as well as remuneration paid by other comparable listed companies;
- reviewed the remuneration policy and structures for Directors and senior management of the Group;
- reviewed and made recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board; and
- made recommendations to the Board on the remuneration of independent non-executive Directors.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Directors also acknowledge their responsibility to ensure the consolidated financial statements are published in a timely manner. Directors are regularly provided with monthly updates on the Company's businesses, potential investments, financial objectives, plans and actions.

The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The Auditors' reporting responsibilities are set out in the section headed "Independent Auditors' Report" in this report.

AUDITORS' REMUNERATION

For the Review Year, the fee paid/payable to HLB Hodgson Impey Cheng Limited by the Group is set out as follows:

	HK$
Audit services	720,000
Non-audit services	120,000

The amount of fee incurred for the non-audit services is mainly the financial information review fee. The Audit Committee was satisfied that non-audit services for the Review Year did not affect the independence of the auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Company's risk management, internal control systems, legal and regulatory and compliance, and for reviewing their effectiveness.

In meeting its responsibility, the Board, with due regard to the Group's risk appetite, evaluates and determines the nature and extent of risks (including ESG risks) that the Group is willing to accept in pursuit of its business objectives. The Group has adopted a "3 lines of defence" model to identify, analyse, evaluate, mitigate and handle risks. At the first line of defence, the departmental heads of the Group have to complete a risk management and internal control self-assessment questionnaires, identify and evaluate those significant risks and confirm to the management that appropriate internal control policies and procedures have been established and properly complied with. At the second line of defence, the management provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risks capacity and that the control of the first line of defence is effective. At the third line of defence, the Audit Committee and the Board with the advice and opinions from an external professional party conduct a review of the Company's risk management and internal control systems on an annual basis and ensure that the first and second lines of defence are performed effectively. The management then reviewed the findings and summarised all material issues to the Board and Audit Committee annually.

The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

The Group has also established whistle-blowing procedure. The procedure is to provide a reporting channel to employees of the Group, in confidence, to raise concerns about possible irregularities or frauds in financial reporting, internal controls or other matters to the Audit Committee.

The Group recognises that good risk management is essential for the long-term development of the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the soundness and effectiveness of the internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implementing the risk management framework into daily operation.

Although the Company does not have an internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. The Group has engaged an external professional party to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

INSIDE INFORMATION POLICY

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures such as limit access to inside information to those who need to know and requiring external parties to execute confidentiality agreement have been implemented by the Company to guard against mishandling of inside information. The Company also reminds those relevant personnel and other professional parties to preserve confidentiality of the inside information until it is publicly disclosed.

COMPANY SECRETARY

The Company has appointed Mr. Chui as the company secretary of the Company (the "**Company Secretary**"), who is a full time employee of the Company and responsible for facilitating the Board process, as well as communications among the Directors, shareholders and the management. Mr. Chui has confirmed that for the Review Year, he has taken no less than 15 hours of professional training to upgrade his skills and knowledge. The biography of Mr. Chui is set out in the section headed "Biographical Details of the Directors and Senior Management" in this report.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman, and all members of the Board have access to Company Secretary's advice and service. The Company Secretary has day-to-day knowledge of the Group's affairs.

SHAREHOLDERS' RIGHTS

The Company has only one class of Shares. All Shares have the same voting rights and are entitled to all dividends declared. The right of the shareholders are set in, among others, the Restated Article and the Companies Law of Cayman Islands.

Procedures for Convening General Meetings by Shareholders

Pursuant to article 64 of the Restated Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more shareholder holding, at the date of deposit of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Flat A, 7th Floor, Sai Wan Ho Plaza, 68 Shaukeiwan Road, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

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

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

Procedures by which Enquiries may be put to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are welcomed to send their enquiries to the Board by post to the principal place of business in Hong Kong set out in the section headed "Corporation Information" in this report or by email at info@swgrph.com.

INVESTOR RELATIONS

The Board strives to maintain on-going dialogue with shareholders and the investment community, the Company has established a shareholders communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

Latest information on the Group including, but not limited to annual and interim reports, circulars, announcements and notices of annual general meetings are updated on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.swgrph.com).

In addition, the Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting, where all Board members and external auditors are available to answer questions on the Group's business.

During the Review Year, the Group has been closely monitoring the development of COVID-19. The Group adjusts its communication channels according to the actual implementation to reduce the risk of virus transmission.

The annual general meeting will be held on Thursday, 8 September 2022, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Review Year, there had been no significant changes in the constitutional documents of the Company.

Environmental, Social and Governance Report

FOREWORD

Upholding values of integrity, equity and transparency, the Group firmly adheres to principles of good corporate governance to achieve sustainable development along with its business growth. From daily operations to its business activities, the Group has incorporated appropriate ESG measures, in order to minimise its negative impacts brought to the environment and bring positive influences to thrive in Hong Kong society.

Scope and Review Year

Rooted in Hong Kong's foundation industry for years, the Group is committed to sustainably growing its business. The Board is pleased to present the ESG Report covering the Review Year (or the "**FY2022**") and the year ended 31 March 2021 (the "**Previous Year**" or the "**FY2021**") for comparison if applicable. The following ESG Report illustrates the Group's efforts and performance in achieving sustainable business for the Review Year.

A Message from the Board

The Board is ultimately accountable for the Group's ESG principles and policies and all major ESG compliance matters. The Group's ESG team is responsible for collecting and consolidating the ESG data, evaluating the ESG performances, reviewing the ESG progress, preparing the ESG report, and report to the Board regularly. The Board may request amendments in strategies if it considers necessary. Meanwhile, the ESG team works with the senior management to incorporate ESG principles and policies into the Group's operation. The senior management also oversees the execution of ESG policies among its core business workforces.

As the Group's sustainable development is closely related to its relationship with all stakeholders, including but not limited to its employees, customers, suppliers, and regulatory bodies, the Group highly values its communications with them. The communication channels with each group of stakeholders are disclosed in the "Stakeholders' Feedback" section of this ESG Report. For the Review Year, upon the request of the Board, the Company conducted a comprehensive internal materiality assessment to identify which ESG-related matters are stakeholders' priorities. The results of this assessment are included in the "Materiality Assessment " section of this ESG Report.

The ESG Report is completed with the efforts from the Group's ESG team, senior management and it is reviewed by the Audit Committee and approved by the Board. We would like to acknowledge our employees for their assistance in preparing this ESG Report and we welcome stakeholders for feedback and suggestions on further sustainable development.

Basis of Preparation

The ESG Report is compiled in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Listing Rules, with the aim to disclose and explain the major measures and activities executed by the Group in regard to ESG facets during the Review Year.

When preparing the ESG Report, the Group adhered to the reporting principles under the ESG Reporting Guide, which are stated below:

Materiality	Through communicating with its stakeholders, the Group carried out a materiality assessment to identify the necessary ESG-related issues to be included in the ESG Report.
Quantitative	The key performance data were collected from the Group's internal documentation, while the calculation methodologies followed the ESG Reporting Guidance. When assumptions and other tools are used for the reporting, they have been disclosed in the relevant sections of the ESG Report.
Balance	By collecting data from different departments and involving multiple personnel in preparing the ESG Report, the Group ensures the objectivity and fairness of the report. The Group is confident that the ESG Report provides an unbiased picture of its performances.
Consistency	Methodologies adopted for the preparation of this ESG Report are consistent with the Previous Year.

Stakeholders' Feedback

The Group values opinions from its stakeholders and welcomes to hear their feedback on its ESG approach and performance. We believed that comments from various perspectives drive improvements in the Group's sustainability performance in the future.

Major stakeholders	Major demands and expectations	Main communication channels
Shareholders and investors	• Sustainable profitability • A good corporate governance system • Prevention of operational risks	• Company announcements • Annual report and interim report • Annual general meetings • Company's website
Government and regulatory bodies	• Regulatory compliance • Resource conservation • Pollution control • Community involvement • Employees rights	• Supervision and evaluation • ESG Report • Inspection
Customers	• High standard of services • Quality control • Information security • Pollution control	• Business communication • Customer feedback
Employees	• Corporate governance on employee rights and interests • Improvement in employee remuneration and welfare • Career development	• Staff meetings and activities • Staff training • Recruitment procedures
Media	• Information transparency • Corporate sustainability	• Company's website • News
Communities	• Higher community involvement • Supporting public welfare activities • Pollution control	• Charity activities

Materiality Assessment

During the Review Year, the Company conducted a comprehensive materiality assessment with stakeholders to identify and assess ESG-related concerns raised by the Group's business.

The Group is aware that emissions from the Group's operation would bring pollution to the environment and that it is one of the main concerns shared by many stakeholders.

Environmental, Social and Governance Report

GENERAL ENVIRONMENTAL POLICIES

Climate change has become a priority concern shared by all humanity. To keep up with the latest research results and access the possible impacts climate issues may have on the Group's operation, our ESG team attends relevant webinars and browses the environmental literature and the internet from time to time, to refresh their knowledge. Besides the increasingly unpredictable weather conditions causing some challenges in project planning, the Group haven't noticed any other direct impact on its operation. We have been able to work around weather conditions and its influences haven't become significant.

However, the construction industry generally consumes a large amount of energy, which in turn contributes to climate change. Thus, the Group acknowledges its corporate responsibility for pollution control and attributes its business success to long-term sustainability rather than immediate results. Group makes substantial efforts in its business operation to manage pollution, noise and construction wastes as low as possible, attaining energy-saving to a higher degree. The Group has implemented a range of regulations in its workplace:

1. To use non-road mobile machinery approved by the Environmental Protection Department ("**EPD**") label;

2. To use hand-held percussive breakers and air compressors with noise emission label; and

3. To use a trip-ticket system to record the disposal of construction waste to disposal facilities.

The major sources of greenhouse gas ("**GHG**") emissions and energy footprints are from (i) electricity consumed in the corporate office, (ii) fuel and diesel consumed in the plant, and (iii) machineries, trucks, lorries and vehicles in construction foundation operation. During the Review Year, the Group has refined the measures towards a broader application of resource-efficient operation and encourages staff to participate. Employees are educated with energy-saving concepts. In the meantime, a list of guidelines is set out to raise environmental awareness at the workplaces. Those energy-efficient measures implemented by the Group throughout the Review Year are listed below:

- To select energy-efficient equipment, including lights and appliances;
- To minimise idling time of the vehicles during operation;
- To conduct repairs and maintenance on vehicles, plant and machinery, equipment, trucks, and lorries in a timely manner;
- To use environmentally friendly engine oil;
- To utilise electric vehicles as much as we can;
- To turn on the air-conditioning only when necessary and set the temperature 25°C or above;
- To turn off the lights whenever not in use; and
- To switch off electrical devices and equipment after work.

During the Review Year, in the Group's best knowledge, it did not generate any hazardous waste in the course of its operation. The major non-hazardous waste from the Group mainly included general office waste from the corporate office, and construction wastes appropriately handled by the local authorities, which will be disclosed further in the following section of this ESG report. Our employees are always reminded to (i) use both sides of the paper; (ii) adjust the margin and font size of documents as far as practicable to optimise the use of paper; and (iii) use digital communication and document storage as far as feasible.

Apart from energy-saving and GHG emission reduction, the Group has strict compliance with relevant environmental laws and regulations in all material aspects. During the Review Year, the Group is not aware of any non-compliance incidents relating to air and GHG emission, discharge into water and land, and generation of hazardous and non-hazardous wastes. The Group ensures legal and proper disposal of construction wastes, whereas all disposals accounted for the Group are billed by the Construction Waste Disposal Charging Scheme.

USE OF RESOURCES & EMISSIONS

The Group's GHG emission performance was calculated with reference to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" issued by EPD and the Electrical and Mechanical Services Department. The tables below show a breakdown of energy consumption and emission for FY2022 and FY2021.

Energy Consumption	Unit	Consumption		Intensity[1] (unit/million sales)	
		FY2022	FY2021	FY2022	FY2021
Electricity	kWh	174,929	229,543	722	1,590
Fuel — Diesel	Litre	462,999	313,678	1,911	2,172
Fuel — Unleaded petrol	Litre	7,260	7,517	30	52
Paper	kg	754	796	3	6
Water[2]	m^3	3,475	21,061	14	146

Emission	Unit	Emission		Intensity[1] (unit/million sales)	
		FY2022	FY2021	FY2022	FY2021
Total GHG emission in CO_2 equivalent	Tonnes	1,334	986	5.5	6.8
Nitrogen oxides (NO_x)	kg	459	430	1.9	3.0
Sulphur oxides (SO_x)	kg	8	5	0.03	0.03
Particulate Matter (PM)	kg	31	29	0.1	0.2

Notes:

1 Intensity is calculated by the total amount of consumption over total revenue for FY2022 and FY2021, which is approximately HK$242.3 million and HK$144.4 million, respectively.

2 Water consumption refers to water used in construction sites, warehouses and offices.

The Group's energy consumption was mainly attributed to vehicles, machineries, equipments, trucks and lorries used in projects and operations. The Group's resource consumption and pollutant emission depend largely on the types of foundation projects it undertook during the Review Year, while the conditions of each project site also have an impact on the amount of energy needed. As a result, the total amount of energy consumed and pollutants emitted may vary from year to year.

During the Review Year, the Group targeted to control the amount of energy and pollutant per million Hong Kong dollar of sales, shown as intensity in the tables above, and strived to prevent it from increasing compared to the levels recorded in the Previous Year. During the Review Year, the Group didn't undertake as many intensively water-consuming operations, resulting in an 83.5% drop in the total water consumption. The Group's total energy consumption was approximately 5,200,884 kWh (Previous Year: 3,660,000 kWh), and the total energy consumption intensity was 21,465 kWh/million (Previous Year: 25,345 kWh/million), both calculated by converting all energy used into kWh equivalent. The Group's total GHG emission in CO_2 equivalent increased to 1,334 tonnes. Meanwhile, the emissions of other air pollutants, including nitrogen oxides, sulphur oxides and particulate matter increased slightly too. In terms of intensities, despite that sulphur oxides emission per million Hong Kong dollars sales remained the same with FY2021, all other energy consumption and pollutant emission intensity decreased noticeably, exceeding the Group's environmental performance targets. The Group will make further efforts in energy conservation and reduce air pollutants to improve its environmental performance.

In terms of the non-hazardous waste from the Group, the construction wastes from the sites increased to 117,113 tonnes during the Review Year. Most of our construction wastes were disposed to public fill reception facilities regulated by Hong Kong government, of which contains entire inert construction waste consisting of rock, rubble, boulder, earth, soil, sand, concrete, asphalt, brick, tile, masonry or used bentonite. The table below shows a breakdown figure of the Group's construction wastes by the type of waste and the waste disposal facilities for the FY2022 and FY2021:

		Construction waste produced by the Group (tonnes)		Intensity (unit/million sales)	
Type of construction waste	**Waste disposal facilities**	**FY2022**	**FY2021**	**FY2022**	**FY2021**
Consisting entirely of inert construction waste	Public fill reception facilities	116,790	36,122	482	250
Containing more than 50% by weight of inert construction waste	Sorting facilities	81	71	0.33	0.49
Containing not more than 50% by weight of inert construction waste	Landfills	242	72	1	0.50
Total		**117,113**	36,265	**483**	251

Despite that climate-change-related issues do not directly impact the Group's business operation, the Group strives to balance its business development while minimising negative impacts on the environment. Beyond compliance, the Group strictly follows a systematic approach to monitoring fuel consumption and implements conscious decisions that cover the entire supply chain. The Group continues reminding suppliers to make use of environmentally friendly products and practices. Besides, its management team seeks advice from business partners and external consultants on industry changes, compliance, resources and efficiency to achieve optimal sustainability.

EMPLOYMENT & LABOUR STANDARDS

The Group considers its employees as the greatest asset of the company to support the business growth. Therefore, endeavour in protecting their human rights, well-being and interests. The Group's human resources department is responsible for reviewing the policies and procedures regularly, to ensure acting in accordance with relevant laws and regulations applicable to our business operation, as well as protecting our employee's lawful rights and welfare.

Due to the Group's business structure, all employees are based in Hong Kong. In line with employment laws in Hong Kong, every employee of the Group is covered and protected by the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong). The Group adopts equality and diversity in the workplace, for which all forms of discriminatory actions regarding gender, age, race, religion, political affiliation and national origin are prohibited. All remuneration, promotion and termination decisions are executed on the basis of equal opportunity. For the Review Year, there was no non-compliance case related to employment.

The Group forbids the use of child labour or forced labour in any form. The human resources department investigates and identifies the personal information of all applicants during recruitment, so as to confirm every employee of the Group meets Hong Kong's legal working age. If child labour or forced labour is discovered, the Group would launch investigation and suspend all job duties of the respective employees. Once the case of child labour or forced labour is verified, the respective employee's employment contract would be terminated. During the Review Year, no child labour or forced labour is discovered.

Furthermore, the Group provides all legally required insurance and retirement contributions for applicable employees and offers different types of leaves, including annual, maternity, paternity, and examination leaves as well.

Employment Structure

In the practice of Hong Kong's construction industry, on-site construction workers are usually employed on a project basis, as the quantity of labour needed varies between different project sizes. Such employment practice is also adopted by the Group. As at 31 March 2022, the Group had a total of 72 employees in Hong Kong. Despite it being challenging for the construction industry to attract a diverse pool of talents, the Group attempted to hire employees of different backgrounds. The following figures show the headcount of full-time employees categorised by employment type, job function, gender and age group for FY2022 and FY2021.

	Numbers of employees	
	FY2022	FY2021
By employment type		
Daily	**53**	41
Monthly	**19**	20
By job function		
Management	**10**	9
Administration	**4**	5
Supervisors	**5**	5
Technicians	**2**	3
Workers	**51**	39
By gender		
Male	**68**	53
Female	**4**	8

	Numbers of employees	
	FY2022	FY2021
By age group		
≤30	**6**	5
31–40	**16**	7
41–50	**17**	14
51–60	**14**	20
≥61	**19**	15
By location		
Hong Kong	**72**	61
Total	**72**	61

The Group began the Review Year with 61 employees and concluded it with 72 employees as at 31 March 2022. For the Review Year, the Group's employee turnover rate has slightly increased from the Previous Year of approximately 17% to approximately 21%. Amongst age groups, employees aged from 51 to 60 recorded the highest turnover rate. Nevertheless, there was an improvement recorded, with a lower turnover rate of employees aged under 41 to 50 in the Review Year.

	Employee turnover rate (%)	
	FY2022	FY2021
By gender		
Male	**18**	19
Female	**15**	0
By age group		
≤30	**0**	0
31–40	**13**	14
41–50	**18**	24
51–60	**50**	22
≥61	**16**	7
By location		
Hong Kong	**21**	17
Total	**21**	17

SAFETY WORKING ENVIRONMENT

The Group aims to provide a pleasant working environment for the employees, since it is believed that a positive organisational culture motivates employees' productivity and efficiency, also enhances retention of the workforce. Hence, the Group performs reasonable working hours at both construction sites and corporate office, ensuring work-life balance is reached amongst its workers and staff. Besides, a fair competing environment for career development is advocated by the Group, where employee's performance is evaluated regardless of race, ethnicity, gender, age, sexual orientation or other factors. The Group may offer a discretionary bonus to its high-performed employees.

During the Review Year, the Group continued to face the ongoing COVID-19 situation and have taken the following precautionary measures at corporate office and sites to minimise the risk of contracting and spreading COVID-19:

- Providing face masks and disinfectant products to employees;
- Measuring employees' body temperature at worksites;
- Encouraging social distancing;
- Implementing flexible working arrangements for corporate office; and
- Minimising face-to-face meetings.

If an employee is confirmed to have COVID-19, the Group will promptly notify the fellow employees and implement the corresponding measures complying with the policies issued by the Hong Kong government.

Due to Group's business nature, the potential of safety incidents and hazard particles in the construction sites is relatively high. Occupational health and safety take priority over any other matter in the Group. Advocating the standard of Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Group adopts proactive initiatives to cultivate a healthy workplace environment by raising awareness of occupational safety amongst its employees and workers. The Group regularly provides on-site and mechanical safety training, as well as training on theoretical knowledge and the use of appropriate tools and equipment in order to equip its workforce with the ability to identify and prevent safety hazards. A total of 400 hours of training is recorded for FY2022, of which construction workers accounted for 357 hours, each with an average of 7 hours. Safety and operational instructions on posters and other guidelines are reiterated in the work environment. Furthermore, the Group reinforces construction site monitoring to eliminate safety risks in the workplace. According to the Group's detailed safety guidelines and accident reporting procedures, on-site safety officers are responsible for inspecting all projects daily, and to ensure compliance with all government regulations and related ordinances.

Even though the Group had carried out training workshops, there were some work-related accidents occurred throughout the Review Year. Employees from sub-contractor and the Group are involved, whereas the injuries had led to working days lost. The Group will continue to scrutinise and adjust the safety guidelines to protect our employees. The following table listed the figures of employees being involved in work-related accidents for FY2022, FY2021 and the year ended 31 March 2020:

	Employee work-related accidents								
	FY2022			FY2021			FY2020		
	Work-related injuries	Work-related fatal incidents	Lost working days	Work-related injuries	Work-related fatal incidents	Lost working days	Work-related injuries	Work-related fatal incidents	Lost working days
Involving workers from sub-contractor	**2**	**0**	**2**	1	0	1	0	0	0
Involving workers from the Group	**1**	**0**	**62**	0	0	0	0	0	0

During the Review Year, the Group had no material non-compliance related to work safety. There were also no reported work-related fatal accidents for the past three years. Although there were no work-related fatal accidents amongst the Group's employees, there were three workers involved in the work-related injuries, including 2 employees from sub-contractor and 1 from the Group in the Review Year. The sub-contractor assigned other workers to fill in the position, resulting in only 2 lost working days in terms of project productivity. As for the injured worker from the Group, we provided proper care and ample rest time, resulting in 62 lost working days. In fact, all injured workers are covered by Employees' Compensation Ordinance, as the Group is particularly concerned about their injuries and has helped them with their recoveries. The Group will continue to uphold a high standard of work safety, so as to maintain a low accident rate in the future.

STAFF DEVELOPMENT & TRAINING

The Group places great emphasis on nurturing our staff through the guidance of discovering their potential value. Therefore, each employee of the Group is given adequate opportunities. Substantial resources are allocated in the provision of relevant training to the employees, which could improve their job performance and strengthen their capability for future development of the Group's business. For instance, employees of different levels, including upper-level managers in the back office and construction staff at sites are also benefited from the Training Sponsorship Programme, upskilling their techniques and work efficiency. Other training, such as seminars/webinars and workshops held by industry experts and reputable professional associations has also been conducted. The table below shows a breakdown of employee training details for the FY2022 and FY2021 by gender and job function:

	FY2022			FY2021		
	Number of employees trained	Average training hours completed per employee	The percentage of employees trained (%)	Number of employees trained	Average training hours completed per employee	The percentage of employees trained (%)
By gender						
Male	**64**	**5.9**	**94**	49	5.9	92
Female	**1**	**3.0**	**25**	3	2.9	38
By job function						
Management	**8**	**3.1**	**80**	7	3.0	78
Workers	**51**	**7.0**	**100**	39	8.7	100
Administration/supervisors/technicians	**6**	**1.0**	**55**	6	0.9	46
Total	**65**	**5.6**	**90**	52	6.2	85

Apart from training courses, the Group has developed a mechanism of performance evaluation, for which its employees are protected by unbiased setting.

Our flow of growth potential evaluation:

SUPPLY CHAIN MANAGEMENT

The Group demands stringent regulations on the procurement process through objective-oriented process. Responsible staff investigates the qualifications of suppliers and compares the prices and quality between different suppliers thoroughly. Quality checks are conducted by employees from the Group. The selection criteria of suppliers and subcontractors include background, pricing, service, quality, reputation, and after-sales support and environmental protection considerations as well. Those passed the selection criteria will be listed on the approved list and are required to follow applicable laws and regulations in relation to occupational health and safety and environmental protection.

Besides, the Group's procurement team monitors and reviews the terms of existing suppliers and subcontractors from time to time, in order to ensure their standards are qualified to maintain a highly efficient supply chain. Any supplier or subcontractor with unsatisfactory evaluation results will be removed from the approved list to ensure product quality.

For the Review Year, the Group had 97 key suppliers from Hong Kong (the Previous Year: 109).

PROJECT MANAGEMENT

The Group's revenue mainly comes from individual projects working with trusted recurring clients, such as developers and landlords who have worked with the Group over the years. These long-term relationships established with recurring clients have confirmed the credibility and integrity of the Group.

Customer Relationship Management

Good customer service is highly valued by the Group, it has been working proactively to maintain a close relationship with clients as well as other professional parties in every project to exchange comments and follow-up procedures. To handle customers' queries efficiently and effectively, the Group has implemented an exclusive customer communication channel. As such, the Group has performed well in customer relationship management, leading to no material complaints received during the Review Year, so as in the Previous Year.

Intellectual Property Rights

Complying with the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), the Group respects intellectual property rights and puts effort into protecting its intellectual properties and that of the parties conducting business with it. The management and relevant departments review contracts with customers and suppliers to ensure the intellectual property rights are properly accounted for.

Data Privacy

Adhering to Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) in the operating practice, the Group ensures the customer's information is confidential and for internal use only. During the Review Year, all operating activities of the Group were compliant with the Personal Data (Privacy) Ordinance.

ANTI-CORRUPTION

Committed to high ethical standards, the Group strictly complies with Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) during the Review Year. The Group has also applied the Code of Corporate Governance Practices, sets out in Appendix 14 of the Listing Rules, as the basis in designing the internal rules and regulations for integrity discipline and clean administration. The Group is overly concerned with the integrity of employees, where all business activities should follow ethical and lawful standards. Therefore, internal anti-corruption guidelines and procedures including whistle-blowing procedure are established and circulated among employees to prevent any ambiguity. Whilst no employees shall engage in any personal activities or transactions with customers, suppliers, or other third parties without the prior consent of the Board.

During the Review Year, the Group did not involve in any corruption litigation and has not received any suspected corruption report. An online integrity training session, "Ethics Legacy — Ethical and Governance Roles of Directors and Senior Management of Publicly Listed Companies" provided by the Independent Commission Against Corruption was held during the Review Year. All executive Directors and financial controller attended the training. Financial controller was then assigned to convey the principal messages to independent non-executive Directors and other relevant employees of the Group.

COMMUNITY INVESTMENT

With its business rooted in Hong Kong for years, the Group truly concerns the local community and aims to contribute positively to our city. By watching the local news and conducting some in-person conversations, the Group strives to understand which areas of charity activities are most needed in our local community. During the Review Year, the Group contributed to various charity projects relating to health and the community, including donations to the Hong Kong Breast Cancer Foundation and Chun Wo Charitable Foundation Limited. In terms of sport, the Group sponsored Lifewire Run 2021 conducted by Lifewire Foundation Limited. To celebrate Chinese New Year and share the joy of the festive seasons, we purchased cakes for some residents living near one of our construction projects in Sham Shui Po. A total of HK$97,000 were allocated to the Group's community contribution during the Review Year. We are hopeful that more charitable activities will be carried out in the coming year.

ESG REPORTING GUIDE INDEX

ESG Reporting Guide General Disclosures		Section	Remarks
Mandatory Disclosure Requirements (MDR)			
MDR 13	A statement from the board containing the following elements: (a) a disclosure of the board's oversight of ESG issues; (b) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues including risks to the issuer's businesses); and (c) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses	Foreword	Complied
MDR 14	A description of, or an explanation on, the application of the (a) Materiality, (b) Quantitative, (c) Consistency reporting principles.	Foreword	Complied
MDR 15	Reporting boundaries of the ESG report and the process of setting them.	Foreword	Complied
A. Environment			
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	General Environmental Policies and Use of Resources & Emissions	Complied

ESG Reporting Guide General Disclosures		Section	Remarks
KPI A1.1	The types of emissions and respective emissions data.	Use of Resources & Emissions	Complied
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Complied
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	General Environmental Policies and Use of Resources & Emissions	Complied
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Use of Resources & Emissions	Complied
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	General Environmental Policies and Use of Resources & Emissions	Complied
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources & Emissions	Complied
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources & Emissions	Complied
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.		Not applicable — sourcing water in operation was insignificant
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		Not applicable — packaging materials used in operation were insignificant

ESG Reporting Guide General Disclosures		Section	Remarks
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	General Environmental Policies and Use of Resources & Emissions	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	General Environmental Policies and Use of Resources & Emissions	Complied
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	General Environmental Policies and Use of Resources & Emissions	Complied
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	General Environmental Policies and Use of Resources & Emissions	Complied
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment & Labour Standards	Complied
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment & Labour Standards	Complied
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment & Labour Standards	Complied

Environmental, Social and Governance Report

ESG Reporting Guide General Disclosures		Section	Remarks
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safety Working Environment	Complied
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safety Working Environment	Complied
KPI B2.2	Lost days due to work injury.	Safety Working Environment	Complied
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety Working Environment	Complied
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Staff Development & Training	Complied
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Staff Development & Training	Complied
KPI B3.2	The average training hours completed per employee by gender and employee category.	Staff Development & Training	Complied
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment & Labour Standards	Complied

ESG Reporting Guide General Disclosures		Section	Remarks
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment & Labour Standards	Complied
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment & Labour Standards	Complied
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	Complied
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	Complied
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management	Complied
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	Complied
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	Complied
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Project Management (except for the insignificant areas: advertising and labelling relating to products and services)	Complied
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Not Applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Project Management	Complied
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Project Management	Complied

ESG Reporting Guide General Disclosures		Section	Remarks
KPI B6.4	Description of quality assurance process and recall procedures.	Project Management	Complied
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Project Management	Complied
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	Complied
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	Complied
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption	Complied
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	Complied
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	Complied
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	Complied
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	Complied

Directors' Report

The Board is pleased to submit this annual report together with the audited financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in note 12 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for the Review Year are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 55 in this report. The business review of the Group for the Review Year is set out in the section headed "Management Discussion and Analysis" on pages 4 to 7 in this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to various risks and uncertainties. The following are the key risks and uncertainties faced by the Group:

Industry Risks

The future development of the foundation industry and the availability of foundation projects in Hong Kong depends largely on the continued development of the property market in Hong Kong. The nature, extent and timing of available foundation projects will be determined by an interplay of a variety of factors, including the Government's policies on the property market, land supply and public housing policy, the investment of property developers and the general conditions and prospect of Hong Kong's economy. Any slowdown of the property market may affect the availability of foundation projects in Hong Kong and have a material and adverse impact on our Group's business.

Compliance Risks

Due to the nature of foundation industry, many aspects of the Group's business operation are governed by various laws and regulations and Government policies. The requirements in respect of the granting and/or renewal of various licences and qualifications may change from time to time, and there is no assurance that the Group will be able to respond to such changes in a timely manner. Such changes may also increase the costs and burden in complying with them, which may materially and adversely affect the Group's business, financial condition and results of operation.

Uncertainties in Construction Progress

(1) unexpected geological or sub-soil conditions

Prior to commencement of the foundation works, the customers would normally provide ground investigation reports to the Group. However, information contained in these reports may not be sufficient to reveal the actual geology beneath the construction site due to limitation in the scope of the underground investigation works that can be carried out at the site and/or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or to identify any antiquities, monuments or structures beneath the site.

All these may eventually present potential issues and uncertainties in the carrying out of our foundations works, such as the possible increase in the complexity of the project resulting from additional work procedures, workers, equipment and times required to deal with any unexpected existence of rocks, antiquities or monuments, which may also lead to additional costs to be incurred. Nevertheless, in case of any significant unexpected difficult geological or sub-soil conditions, the Group may incur additional costs in dealing with such unforeseen conditions, which may lead to cost overruns and may thus materially and adversely affect the Group's business operation and financial position.

(2) damage of various underground service utilities

Services utilities may be laid underground or below carriageways and footways in Hong Kong. The Group may be obstructed by those service utilities when carrying out foundation works. There is no assurance that damage to those utilities will not occur during the foundation works. Accordingly, the Group may be liable to the costs for the repair of such damaged service utilities to the extent not covered by insurance.

Failure to Guarantee New Business

Revenue is typically derived from projects which are non-recurrent in nature. As the Group does not enter into long-term agreements with the customers, there is no guarantee that the Group will be able to secure new businesses from customers. The number and scale of projects from which the Group derives revenue from may vary significantly from period to period, and it may be difficult to forecast the volume of future business. In the event that the Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business and financial positions and prospect of the Group could be materially and adversely affected.

ENVIRONMENTAL POLICIES AND PERFORMANCE

In undertaking foundation works, the Group may cause (i) emission of air pollutants; (ii) emission of noise from construction activities; and (iii) disposal of construction waste. Therefore, the foundation works are subject to the requirements of the following laws and regulations in relation to the environmental protection.

The laws and regulations which have a significant impact on the Group includes, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) and Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong).

The Group places an emphasis on environmental protection when undertaking its projects. The Group has implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015. Besides that, the Group has also established environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by employees and workers of the sub-contractors.

In order to promote environmental awareness with the business partners, the Group reviews their sub-contractors regularly with environmental contribution being one of the criteria, higher priority is given to sub-contractors possessing ISO 14001 certification.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Review Year, as far as the Board and the management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

Employees

The Group considers its employees the key to sustainable business growth and also recognises its employees as its valuable assets. The Group provides comprehensive remuneration package to attract, motivate and retain appropriate and suitable employees to serve the Group. The Group has in place a fair and effective performance appraisal system and incentive bonus scheme designed to motivate and reward employees at all levels to deliver their best performance and achieve targets. The Group also provides on-the-job training and development opportunities to enhance its employees' career development and learning.

Customers

The Group are aware of the risk of customer concentration, and sought to reduce the reliance on major customer by undertaking more sizable projects for other customers. Besides that, the Group believes a strong and good relationship with customers would increase its recognition and visibility in the foundation industry. As such, the Group values the views and opinions of all customers through various means and channels, including regular review and analysis on customer feedback. The Group also believes that a strong and good relationship with customers can further develop new business opportunities in the foundation industry.

Suppliers and Sub-contractors

The Group has developed stable and strong working relationships with suppliers and sub-contractors to meet the Group's customers' needs in an effective and efficient manner. The Group works closely with the suppliers and sub-contractors to make sure the tendering, procurement and sub-contracting are conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to them before the commencement of the project.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Review Year are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Review Year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 57 in this report.

Distributable reserves of the Company as at 31 March 2022, calculated under the Companies Law of Cayman Islands amounted to approximately HK$38 million.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of any final dividend for the Review Year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

For the Review Year and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group during the Review Year are set out in note 13 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 11 to 23 in this report.

Directors' Report

ANNUAL GENERAL MEETING ("AGM")

The 2022 AGM will be held on Thursday, 8 September 2022. The notice of the AGM will be published and dispatched to shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Saturday, 3 September 2022 to Thursday, 8 September 2022 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 2 September 2022.

DIRECTORS

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

Executive Directors:

Mr. Wong Yan Hung
Mr. Wong Tony Yee Pong
Mr. Lai Kwok Fai

Independent Non-executive Directors:

Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

In accordance with article 108 of the Restated Articles, at each AGM, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Restated Articles, Mr. Wong Yan Hung and Mr. Leung Wai Lim will retire from office as Directors at the forthcoming AGM being eligible, and offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of 3 years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

Each of the independent non-executive Directors has entered a letter of appointment with the Company for a term of 2 years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

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

NON-COMPETITION UNDERTAKING

Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong, Mr. Lai Kwok Fai and May City Holdings Limited ("**May City**") (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition dated 3 September 2016 in favour of the Group (the "**Deed of Non-Competition**"). Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of the subsidiaries), among others, that, during the period which (i) the Shares remain listed on the Stock Exchange; and (ii) the Controlling Shareholders and their close associates (other than members of the Group) individually or jointly, are entitled to exercise, or control the exercise of, not less 30% of the voting power at general meeting of the Company or the Controlling Shareholders or the relevant close associates remains as a director of any member of the Group, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to carry on or be engaged, concerned or interested, or otherwise be involved directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time.

Each of the Controlling Shareholders further undertakes that if any business investment or other commercial opportunity which may compete with the business of the Group is identified by or offered to him/it, he/it shall procure that his/its close associates to promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity. The Group shall within 30 days after the receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Controlling Shareholders whether the Group will exercise the right of first refusal.

The Company has received a written confirmation from the Controlling Shareholders in respect of the compliance with and the enforcement of the terms of the Deed of Non-Competition by the Controlling Shareholders during the Review Year.

All independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition entered into by the Controlling Shareholders as to whether the Controlling Shareholders had abided by the Deed of Non-Competition. All independent non-executive Directors also confirmed that the Controlling Shareholders had not been in breach of the Deed of Non-Competition during the Review Year.

COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Review Year, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group, is set out on page 98 in this report.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party for the Review Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 8 to 10 in this report.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set in note 8 to the consolidated financial statements.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

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

i. Long position in our Shares

Name of Directors	Capacity/Nature	Number of Shares held/interested in	Percentage of shareholding
Mr. Wong Yan Hung	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Lai Kwok Fai	Interest in a controlled corporation (Note)	2,040,000,000	51%

Note:

These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

ii. Long position in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/Nature	Number of shares held/interested in	Percentage of interest
Mr. Wong Yan Hung	May City	Beneficial interest	40	40%
Mr. Wong Tony Yee Pong	May City	Beneficial interest	30	30%
Mr. Lai Kwok Fai	May City	Beneficial interest	30	30%

Save as disclosed above, as at 31 March 2022, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2022, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
May City	Beneficial interest (Note 1)	2,040,000,000	51%
Ms. Choi Mei Chu	Interest of spouse (Note 2)	2,040,000,000	51%
Ms. Lee Pik Yu, Kenji	Interest of spouse (Note 3)	2,040,000,000	51%
Ms. Mak Kit Ling	Interest of spouse (Note 4)	2,040,000,000	51%

Notes:

1. These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

2. Ms. Choi Mei Chu is the spouse of Mr. Wong Yan Hung and is deemed or taken to be interested in all the Shares in which Mr. Wong Yan Hung has, or is deemed to have, an interest for the purposes of the SFO.

3. Ms. Lee Pik Yu, Kenji is the spouse of Mr. Wong Tony Yee Pong and is deemed or taken to be interested in all the Shares in which Mr. Wong Tony Yee Pong has, or is deemed to have, an interest for the purposes of the SFO.

4. Ms. Mak Kit Ling is the spouse of Mr. Lai Kwok Fai and is deemed or taken to be interested in all the Shares in which Mr. Lai Kwok Fai has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 31 March 2022, no other persons had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 September 2016. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part- time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. The total number of Shares available for issue under the Share Option Scheme is 400,000,000 Shares, representing 10% of the issued Shares as at the date of this report. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 3 September 2016, and there is no outstanding share option as at 31 March 2022.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Review Year and up to the date of this report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

Directors' Report

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of sales and purchases for the Review Year attributable to the Group's major customers and suppliers are as follow:

Sales	
— the largest customer	46%
— five largest customers	93%
Purchases	
— the largest supplier	20%
— five largest suppliers	56%

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 issued share capital) had an interest in the major customers or suppliers noted above.

DONATIONS

During the Review Year, the Group made charitable and other donations amounting to HK$97,000.

RELATED PARTIES

Details of the significant related party transactions undertaken in the normal course of business are set out in note 26 to the consolidated financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 12 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules for the Review Year and up to the date of this report.

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes during the Review Year.

AUDITORS

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

EVENTS AFTER THE REVIEW YEAR

There is no material subsequent event undertaken by the Group after 31 March 2022 and up to the date of this report.

By Order of the Board
Shun Wo Group Holdings Limited
Wong Yan Hung
Chairman

Hong Kong, 28 June 2022

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF
SHUN WO GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shun Wo Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 55 to 97, 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 ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditors' Report

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters
Recognition of revenue and costs from construction contracts and contract assets	
We identified recognition of revenue and costs from construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management; • Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined; • Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment applications; • Testing the actual costs incurred on construction works; • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and • Assessing the appropriateness and adequate of the disclosures made in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment of non-financial assets	
The Group has recorded property, plant and equipment of approximately HK$14,276,000 as at 31 March 2022. For the purpose of assessing impairment, management has determined the recoverable amount of the cash-generating unit based on value-in-use calculation using discounted cash flow model. In carrying out the impairment assessment, significant management judgement was used to appropriately identify of cash-generating unit and to determine the key assumptions, including revenue, direct costs and discount rate, underlying the value-in-use calculation. We identified the impairment of property, plant and equipment as a key audit matter because the estimation of the value-in-use of the above assets involved significant management judgement with respect to the assumptions used.	Our audit procedures in relation to impairment of non-financial assets mainly included: • Assessing management's identification of cash-generating unit based on the Group's accounting policies and understanding of the Group's business; • Assessing value-in-use calculation methodology adopted by management; • Assessing the reasonableness of key assumptions based on our knowledge of the business and industry and using valuation expert; and • Checking the mathematical accuracy of value-in-use calculation in the management impairment assessment.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment of trade receivables and contract assets	
We identified impairment assessment of trade receivables and contract assets as a key audit matter due to its significance to the consolidated financial statements as a whole and management's estimate in evaluating the expected credit losses of the trade receivables and contract assets.	Our audit procedures in relation to impairment of trade receivables and contract assets mainly included: • Obtaining an understanding on how the management assess the expected credit losses for trade receivables and contract assets; • Testing the integrity of information used by management for the assessment, including ageing analysis of trade receivables, on a sample basis, by comparing individual items in the analysis with the relevant underlying documents; • Testing, on a sample basis, the collection of receivables after the year end from the customers; • Assessing the reasonableness of the basis and judgement of the management in determining credit loss allowance on trade receivables and contract assets; and • Testing the key data sources applied in the expected credit losses computation on a sample basis by checking to the supporting information and external data sources, as applicable.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Hui Chun Keung, David.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 28 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**242,292**	144,359
Direct costs		**(224,925)**	(121,309)
Gross profit		**17,367**	23,050
Other income, other gains and losses	5	**1,539**	4,942
Change in fair value of financial assets at fair value through profit or loss		**–**	(18)
Administrative and other operating expenses		**(22,390)**	(22,802)
Net impairment losses on financial assets and contract assets		**(1,011)**	(11,614)
Loss before income tax	6	**(4,495)**	(6,442)
Income tax credit	9	**–**	369
Loss and total comprehensive expense for the year attributable to owners of the Company		**(4,495)**	(6,073)
Loss per share attributable to owners of the Company			
— Basic and diluted loss per share (HK cents)	10	**(0.11)**	(0.15)

Details of dividends are disclosed in note 11 to the consolidated financial statements.

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

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**14,276**	19,674
Right-of-use assets	14	**101**	34
		14,377	19,708
Current assets			
Contract assets	16	**48,234**	36,303
Trade and other receivables	17	**56,597**	10,481
Pledged bank deposit	18	**5,016**	5,004
Bank balances and cash	19	**17,964**	39,793
		127,811	91,581
Total assets		**142,188**	111,289
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	20	**40,000**	40,000
Reserves	21	**47,316**	51,811
Total equity		**87,316**	91,811
LIABILITIES			
Current liabilities			
Trade and other payables	23	**54,872**	19,478
Total liabilities		**54,872**	19,478
Total equity and liabilities		**142,188**	111,289
Net current assets		**72,939**	72,103
Total assets less current liabilities		**87,316**	91,811

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2022 and signed on its behalf by:

Mr. Wong Yan Hung
Director

Mr. Lai Kwok Fai
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital HK$'000 (Note 20)	Share premium HK$'000 (Note 21)	Merger reserve HK$'000 (Note 21)	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 April 2020	40,000	56,625	198	1,061	97,884
Loss and total comprehensive expense for the year	–	–	–	(6,073)	(6,073)
Balance at 31 March 2021	40,000	56,625*	198*	(5,012)*	91,811
Loss and total comprehensive expense for the year	–	–	–	(4,495)	(4,495)
Balance at 31 March 2022	**40,000**	**56,625***	**198***	**(9,507)***	**87,316**

* These reserve accounts comprise the consolidated reserves of approximately HK$47,316,000 (2021: HK$51,811,000) in the consolidated statement of financial position.

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	25(a)	**(21,390)**	8,798
Tax refunded		**–**	753
Net cash (used in)/generated from operating activities		**(21,390)**	9,551
Cash flows from investing activities			
Interest received		**13**	58
Increase in bank deposit		**(2)**	(2,003)
Purchases of property, plant and equipment		**(2,452)**	(9,368)
Proceed from disposal of property, plant and equipment		**2,000**	102
Net cash used in investing activities		**(441)**	(11,211)
Cash flows from financing activities			
Payment of lease liabilities		**–**	(67)
Net cash used in financing activities		**–**	(67)
Net decrease in cash and cash equivalents		**(21,831)**	(1,727)
Cash and cash equivalents at the beginning of year		**37,790**	39,517
Cash and cash equivalents at the end of year		**15,959**	37,790
Analysis of cash and cash equivalents			
Pledged bank deposit and bank balances and cash		**22,980**	44,797
Less: pledged bank deposit		**(5,016)**	(5,004)
Less: bank deposit with original maturity over three months		**(2,005)**	(2,003)
Cash and cash equivalents		**15,959**	37,790

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Shun Wo Group Holdings Limited (the "**Company**") is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") is principally engaged in undertaking foundation works in Hong Kong.

The Company was incorporated in the Cayman Islands on 3 May 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 28 September 2016.

As at 31 March 2022, its parent and ultimate holding company is May City Holdings Limited ("**May City**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned as to 40% by Mr. Wong Yan Hung ("**Mr. YH Wong**"), 30% by Mr. Wong Tony Yee Pong ("**Mr. Tony Wong**") and 30% by Mr. Lai Kwok Fai ("**Mr. Lai**").

The address of the registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is Flat A, 7/F., Sai Wan Ho Plaza, 68 Shaukeiwan Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies of the Group.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The area involving a high degree of judgement or complexity, or areas where assumptions and estimate are significant to the consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures

i. New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 April 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments 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 had no material impact 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.

ii. New and amended standards in issue but not yet effective and not been early adopted

A number of new and amended standards have been published that are not mandatory for the year ended 31 March 2022 and have not been early adopted by the Group.

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Standard 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]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policy and disclosures (continued)

ii. New and amended standards in issue but not yet effective and not been early adopted (continued)

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

HKAS 1 is amended to 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 amendments also clarify that 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. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

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.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principal of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.7 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other income, other gains and losses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Leasehold improvements	Over shorter of lease terms or 20%
Furniture, fixtures and office equipment	20%
Plant, machinery and equipment	20%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment and other financial assets (continued)

(iv) Impairment (continued)

Impairment on other receivables is measured as either 12-month ("**12m**") expected credit losses ("**ECL**") or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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

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

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

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each 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 forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

- actual or expected significant changes in the operating results of the debtors.

- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the Group and historical credit loss experience.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). A financial asset is credit impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less impairment losses.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer) after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing cost are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.20 Share-based payments

Share-based compensation benefits are provided to employees via an employee share scheme. Information relating to the scheme is set out in note 22.

The fair value of options granted under the scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

Provisions are recognised when, the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Contingent liabilities and continent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.23 Revenue recognition

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

In respect of contract modifications, including changes in the scope or price (or both) of a contract that is approved by the parties to the contract, that are not accounted for as separate contracts, the promised goods or services that are not yet transferred at the date of the contract modification (i.e. the remaining promised goods or services) which are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification, are accounted for by treating the contract modification as if it were a part of the existing contract. The effect that the contract modification has on the transaction price, and on the Group's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis).

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not 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 services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

Revenue from construction contracts is described in the accounting policy on construction contracts below.

Rental income from leased machineries are recognised in profit or loss on a straight-line basis over the lease.

Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.24 Construction contracts

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

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, based on direct measurement of the value of contract work performed, provided that the value of contract work performed can be measured reliably. The value of contract work performed is measured according to the completion of specific detailed components as set out in the contract. Variations in contract work are recognised as contract revenue to the extent that the modification has been approved by the parties to the contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.26 Leases

The Group leases various premises and car parks and rental contracts are typically made for fixed periods of 12 to 24 months. In addition, the Group also leases certain machineries for its operation. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

The Group leased certain of its machineries and derived rental income. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.27 Related parties

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

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities.

Other than bank balances with variable interest rates, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group currently does not hedge its exposure to the interest rate risk as the management of the Group considers that the risk is insignificant.

Credit risk

Credit risk arises mainly from contract assets, trade and other receivables, pledged bank deposit and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In respect of trade and other receivables and contract assets, credit evaluations are performed on the Group's customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account of information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the ECL model on its financial assets and contract assets. In this regard, management considers that the Group's credit risk is significantly reduced.

For the year ended 31 March 2022

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Credit risk (continued)

The loss allowance for trade receivables and contract assets were determined as follows:

	Weighted average expected credit loss rate	Gross carrying amount HK$'000	Expected credit losses HK$'000	Net carrying amount HK$'000
At 31 March 2022				
Trade receivables	**23.0%**	**69,079**	**15,883**	**53,196**
Contract assets	**1.0%**	**48,716**	**482**	**48,234**
At 31 March 2021				
Trade receivables	63.8%	22,898	14,603	8,295
Contract assets	2.0%	37,054	751	36,303

The closing loss allowance for trade receivables and contract assets as at 31 March 2022 and 2021 reconciled to the opening loss allowance are as follows:

	Trade receivables Life-time ECL (not credit impaired) HK$'000	Trade receivables Life-time ECL (credit impaired) HK$'000	Contract assets Life-time ECL (not credit impaired) HK$'000	Total HK$'000
At 1 April 2020	1,373	–	2,367	3,740
Transfer to credit-impaired	(999)	999	–	–
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(252)	13,482	(1,616)	11,614
At 31 March 2021	122	14,481	751	15,354
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(100)	1,380	(269)	1,011
At 31 March 2022	**22**	**15,861**	**482**	**16,365**

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on these assets are assessed individually and/or collectively with appropriate groupings based on same risk characteristics. The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information such as macroeconomic factors that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Credit risk (continued)

When trade receivables and contract assets are uncollectible, it is written off against the allowance account. Trade receivables and contracts assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Subsequent recoveries of amounts previously written off are credited against credit impairment loss in the consolidated statement of profit or loss and other comprehensive income.

The Group performs impairment assessment under the ECL model on other receivables, pledged bank deposit and bank balances. The ECL on these assets are based on 12m ECL as there have been no significant increase in credit risk since initial recognition.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors are of the opinion the risk of default by the counterparties of other receivables is not significant.

The credit risk of pledged bank deposit and bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

As at 31 March 2022, there were 3 (2021: 2) customers which individually contributed over 10% of the Group's trade and other receivables and contract assets. The aggregate amounts of trade and other receivables and contract assets from these customers amounted to approximately 70% (2021: 90%) of the Group's total trade and other receivables and contract assets as at 31 March 2022.

Other than concentration of credit risk on liquid funds which are deposited with banks with sound credit ratings or good reputation and on trade and other receivables and contract assets as disclose above, the Group does not have any other significant concentration of credit risk.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long terms. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2022				
Trade and other payables	**54,872**	**–**	**54,872**	**54,872**
As at 31 March 2021				
Trade and other payables	19,478	–	19,478	19,478

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

The gearing ratios of the Group are as follows:

	2022 **HK$'000**	2021 HK$'000
Total borrowings	**–**	–
Total equity	**87,316**	91,811
Gearing ratio	**0%**	0%

3.3 Fair values estimates

The fair value measurements are categorised under the three-level fair value hierarchy as defined in *HKFRS 13 Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group has no financial instrument measured at fair value subsequent to initial recognition on a recurring basis as at 31 March 2022 and 2021.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position are not materially different from their fair values at 31 March 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Impairment of trade receivables and contract assets

The loss allowances for trade receivables and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Progress towards completion of construction works

The Group recognises its contract revenue over time by reference to the progress towards complete satisfaction of a performance obligation of the end of the reporting period, measured based on the surveys of work performed to date of the individual contract of construction works relative to total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

Impairment of non-financial assets

The Group reviews the carrying amounts of property, plant and equipment at the end of each reporting period to determine whether there is an objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flows to assess the difference between the carrying amounts and their recoverable amounts and provided for impairment loss. Any change in the assumptions adopted in the discounted cash flows would increase or decrease in the impairment loss and affect the Group's net asset value and profit or loss.

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue recognised during the reporting period are as follows:

	2022 HK$'000	2021 HK$'000
Revenue		
Main contracting	**180,777**	121,910
Sub-contracting	**61,515**	22,449
	242,292	144,359
Other income, other gains and losses		
Rental income (Note (i))	**547**	1,335
Gain on disposal of property, plant and equipment	**83**	102
Net foreign exchange loss	**–**	(26)
Interest income	**13**	58
Government grants (Note (ii))	**–**	2,228
Gain on disposal of steel platform	**866**	1,241
Others	**30**	4
	1,539	4,942

Notes:

(i) Certain machinery had been leased out to earn rental income on a short-term basis. As at 31 March 2022, undiscounted lease payments under non-cancellable leases receivable by the Group amounted to Nil (2021: Nil).

(ii) During the year ended 31 March 2021, the Group recognised government grants in respect of COVID-19 pandemic which included subsidies of HK$2,148,000 under the employment support scheme. There was no unfulfilled condition in respect of the grants.

Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'000
Timing of revenue recognition		
Over-time	**242,292**	144,359
Types of goods and services		
Foundation work services	**242,292**	144,359

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Performance obligations for contracts with customers

The Group provides foundation work services to customers. Such services are recognised as a performance obligation satisfied over-time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these services is therefore recognised over-time using output method, i.e. based on surveys of the relevant services completed by the Group to date with reference to certificates issued by customers or payment applications. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2022 and 2021 and the expected timing of recognising revenue are as follows:

	Foundation work services 2022 HK$'000	Foundation work services 2021 HK$'000
Within one year	**225,268**	154,404
Over one year	**37,303**	–
	262,571	154,404

Segment information

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews consolidated financial statements accordingly. Also, the Group only engages its business in Hong Kong and all the non-current assets of the Group are located in Hong Kong. Therefore, no segment and geographical information is presented.

Information about the major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2022 HK$'000	2021 HK$'000
Customer A	**110,462**	71,703
Customer B	**N/A**[1]	35,642
Customer C	**56,003**	N/A[1]
Customer D	**35,265**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group.

6. LOSS BEFORE INCOME TAX

	2022 HK$'000	2021 HK$'000
Included in direct costs:		
Depreciation of property, plant and equipment	**3,257**	2,933
Staff costs	**20,515**	19,299
Included in administrative and other operating expenses:		
Auditors' remuneration	**720**	700
Write-off of trade receivables	**339**	–
Depreciation of property, plant and equipment	**2,676**	3,673
Depreciation of right-of-use assets	**34**	1,113
Expense relating to short-term leases not included in the measurement of lease liabilities	**2,820**	540
Staff costs, including directors' emoluments	**10,617**	12,149

7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2022 HK$'000	2021 HK$'000
Salaries and allowances	**30,357**	30,649
Retirement scheme contributions		
— Defined contribution plan	**775**	799
	31,132	31,448

The Group operates a defined contribution scheme in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. Contributions are made based on a percentage of the employee's basic salaries, subject to cap of monthly relevant income of HK$30,000, and are charged to the consolidated statement of profit or loss as they have payable in accordance with the rules of the MPF scheme. All assets under the scheme are held separately from the Group under independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

During the years ended and as at 31 March 2022 and 2021, no contribution was forfeited (by the Group on behalf of its employees who leave the defined contribution schemes prior to vesting fully in such contributions) and be used by the Group to reduce the existing level of contributions.

For the year ended 31 March 2022

8. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the years ended 31 March 2022 and 2021 is set out below:

	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2022					
Executive directors					
Mr. YH Wong	**510**	**1,440**	**120**	**18**	**2,088**
Mr. Tony Wong					
(Chief executive officer)	**500**	**1,200**	**100**	**18**	**1,818**
Mr. Lai	**500**	**1,200**	**100**	**18**	**1,818**
Independent non-executive directors					
Mr. Law Ka Ho	**150**	**–**	**–**	**–**	**150**
Mr. Leung Wai Lim	**150**	**–**	**–**	**–**	**150**
Mr. Tam Wai Tak Victor	**150**	**–**	**–**	**–**	**150**
	1,960	**3,840**	**320**	**54**	**6,174**
Year ended 31 March 2021					
Executive directors					
Mr. YH Wong	510	1,440	120	18	2,088
Mr. Tony Wong					
(Chief executive officer)	500	1,200	100	18	1,818
Mr. Lai	500	1,200	100	18	1,818
Independent non-executive directors					
Mr. Law Ka Ho	150	–	–	–	150
Mr. Leung Wai Lim	150	–	–	–	150
Mr. Tam Wai Tak Victor	150	–	–	–	150
	1,960	3,840	320	54	6,174

During the year ended 31 March 2022, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2022 (2021: Nil).

8. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, 3 (2021: 3) of them are directors of the Company whose emoluments are disclosed above. The emoluments in respect of the remaining 2 (2021: 2) highest paid individuals are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and other benefits in kind	**1,689**	1,900
Discretionary bonuses	**145**	40
Retirement scheme contributions	**36**	18
	1,870	1,958

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Nil – HK$1,000,000	**2**	2

During the years ended 31 March 2022 and 2021, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

9. INCOME TAX CREDIT

	2022 HK$'000	2021 HK$'000
Deferred income tax	**–**	(369)
Income tax credit	**–**	(369)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made as the Group has carried forward losses to offset against the assessable profit for the year (2021: the Group had no assessable profit arising in or derived from Hong Kong for the year).

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2022 HK$'000	2021 HK$'000
Loss before income tax	**(4,495)**	(6,442)
Calculated at a tax of 16.5%	**(742)**	(1,063)
Tax effects of:		
— Income not subject to tax	**(2)**	(375)
— Expenses not deductible for tax purposes	**601**	664
— Temporary difference not recognised	**18**	–
— Utilisation of previous unrecognised tax losses	**(652)**	–
— Tax loss not recognised	**777**	405
Income tax credit	**–**	(369)

For the year ended 31 March 2022

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Loss attributable to owners of the Company (HK$'000)	**(4,495)**	(6,073)
Weighted average number of ordinary shares in issue (thousands of shares)	**4,000,000**	4,000,000
Basic loss per share (HK cents)	**(0.11)**	(0.15)

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2022 and 2021.

11. DIVIDENDS

No dividend was paid or proposed by the Board for the year ended 31 March 2022 (2021: Nil).

12. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid-up share capital	Proportion of ownership interest held by the Company	Principal activities
Umma Floral Limited ("**Umma Floral**")	BVI	United States Dollars ("**US$**") 10,500,000	100% (direct)	Investment holding
Hop Kee Construction Company Limited ("**Hop Kee Construction**")	Hong Kong	HK$50,000,000	100% (indirect)	Provision of foundation works in Hong Kong
Hop Kee Machinery Transportation Company Limited ("**Hop Kee Machinery**")	Hong Kong	HK$30,000,000	100% (indirect)	Acquisition and holding of plant and machinery of the Group
Hop Kee Construction Company Limited ("**Hop Kee Construction (BVI)**")	BVI	US$1	100% (indirect)	Handling intellectual property and other administrative matters of the Group

For the year ended 31 March 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
As at 1 April 2020	546	529	46,696	2,725	50,496
Additions	–	–	9,368	–	9,368
Disposals	(546)	–	(950)	(173)	(1,669)
As at 31 March 2021	–	529	55,114	2,552	58,195
Accumulated depreciation					
As at 1 April 2020	(546)	(462)	(30,095)	(2,481)	(33,584)
Charge for the year (Note 6)	–	(38)	(6,376)	(192)	(6,606)
Disposals	546	–	950	173	1,669
As at 31 March 2021	–	(500)	(35,521)	(2,500)	(38,521)
Net book value					
As at 31 March 2021	–	29	19,593	52	19,674
Cost					
As at 1 April 2021	–	529	55,114	2,552	58,195
Additions	–	12	2,440	–	2,452
Disposals	–	–	(2,500)	(282)	(2,782)
As at 31 March 2022	**–**	**541**	**55,054**	**2,270**	**57,865**
Accumulated depreciation					
As at 1 April 2021	–	(500)	(35,521)	(2,500)	(38,521)
Charge for the year (Note 6)	–	(27)	(5,876)	(30)	(5,933)
Disposals	–	–	583	282	865
As at 31 March 2022	**–**	**(527)**	**(40,814)**	**(2,248)**	**(43,589)**
Net book value					
As at 31 March 2022	**–**	**14**	**14,240**	**22**	**14,276**

For the year ended 31 March 2022

14. RIGHT-OF-USE ASSETS

	Car parks HK$'000	Premises HK$'000	Total HK$'000
As at 31 March 2022			
Carrying amount	**101**	**–**	**101**
As at 31 March 2021			
Carrying amount	34	–	34
For the year ended 31 March 2022			
Addition	**101**	**–**	**101**
Depreciation charge	**(34)**	**–**	**(34)**
For the year ended 31 March 2021			
Depreciation charge	(33)	(1,080)	(1,113)

The right-of-use assets are depreciated over the lease term.

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases:

	2022 HK$'000	2021 HK$'000
Addition to right-of-use assets	**101**	–
Depreciation of right-of-use assets	**34**	1,113
Expense related to short-term leases	**2,820**	540

During the year, addition to right-of-use assets was primarily related to capitalised lease payments paid or payable under new lease agreement.

Short-term leases are leases related to office premises and car parks.

15. FINANCIAL INSTRUMENTS BY CATEGORY

	2022 HK$'000	2021 HK$'000
Financial assets		
At amortised cost		
Trade and other receivables excluding prepayments	**55,649**	9,733
Pledged bank deposit	**5,016**	5,004
Bank balances and cash	**17,964**	39,793
	78,629	54,530
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**54,872**	19,478

16. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Contract assets	**48,716**	37,054
Less: allowance for credit losses	**(482)**	(751)
	48,234	36,303

Contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The amounts represent the Group's rights to considerations from customers for foundation work services, which arise when: (i) the Group completed the relevant construction works under such contracts and pending for the certification by the customers; or (ii) the customers withhold certain amounts payable to the Group as retention money to secure the due performance of the contracts for defect liability period after completion of the relevant works. The contract assets are transferred to trade receivables when the rights become unconditional.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for contract assets. To measure the expected credit losses, contract assets have been grouped based on same credit risk characteristics.

See note 3.1 for further information about expected credit loss provision.

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17. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**69,079**	22,898
Less: allowance for credit losses	**(15,883)**	(14,603)
	53,196	8,295
Other receivables, deposits and prepayments	**3,401**	2,186
	56,597	10,481

Notes:

(a) The credit period granted to customers ranges from 14 to 60 days (2021: 14 to 60 days) generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of the trade receivables, net of allowance for credit losses based on date of payment certificates issued by customers or invoice date, whichever is applicable, are as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	**26,455**	5,904
31–60 days	**26,184**	–
61–90 days	**–**	1,157
Over 90 days	**557**	1,234
	53,196	8,295

(c) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on same credit risk characteristics.

See note 3.1 for further information about expected credit loss provision.

(d) Included in the other receivables, deposits and prepayments at 31 March 2022 are cash collateral of approximately HK$334,000 (2021: HK$334,000) placed with insurance companies in Hong Kong for the provision of the surety bonds for certain of the Group's construction projects.

(e) As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$26,742,000 (2021: HK$2,975,000) which are past due and which impairment loss had not been provided for to be of good credit quality and they are expected to be recoverable. The Group does not hold any collateral over these balances. Include in the past due balance of approximately HK$177,000 (2021: HK$1,234,000) has been past due 90 days or more and is not considered as in default due to the long term/on-going relationship, good payment records and continuous repayment from these customers.

18. PLEDGED BANK DEPOSIT

	2022 HK$'000	2021 HK$'000
Pledged bank deposit (Note)	**5,016**	5,004

Note: The effective interest rate for the pledged bank deposit is 0.31% (2021: 0.26%) per annum as at 31 March 2022. The carrying amount of pledged bank deposit is denominated in HK$.

19. BANK BALANCES AND CASH

	2022 HK$'000	2021 HK$'000
Cash at banks	**15,959**	37,790
Bank deposit	**2,005**	2,003
Bank balances and cash	**17,964**	39,793

Notes:

(a) The carrying amount of bank balances and cash are denominated in HK$.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(c) Bank deposit carries interest rate at 0.25% (2021: 0.08%) per annum as at 31 March 2022 and with original maturities of 6 months (2021: 6 months).

20. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 March 2022 and 2021	**10,000,000,000**	**100,000**
Issued and fully paid:		
As at 31 March 2022 and 2021	**4,000,000,000**	**40,000**

21. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation.

22. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 3 September 2016. The share option scheme is to attract and retain the best personnel, to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants, advisors, substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors of the Company (or as the case maybe, the independent non-executive directors of the Company) from time to time on the basis of the directors' opinion as to their contribution or potential to the development and growth of the Group.

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at anytime by approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme 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 such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

For the year ended 31 March 2022

22. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of 10 years commencing on 3 September 2016, subject to early termination provisions contained in the Scheme.

No share options were granted, exercised, cancelled or lapsed since the adoption of the Scheme and there were no share option outstanding as at 31 March 2022 and 2021.

23. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**45,726**	13,739
Retention payables	**5,668**	3,096
Accruals and other payables	**3,478**	2,643
	54,872	19,478

Notes:

(a) Payment terms granted by suppliers are generally within two months.

The ageing analysis of trade payables based on the invoice date are as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	**14,114**	5,294
31–60 days	**20,199**	3,566
61–90 days	**6,515**	18
Over 90 days	**4,898**	4,861
	45,726	13,739

(b) Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period for periods ranging from 6 months to 1 year from completion of the relevant works.

(c) All trade and other payables are denominated in HK$.

For the year ended 31 March 2022

24. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 **HK$'000**	2021 HK$'000
Deferred tax assets	**1,413**	1,877
Deferred tax liabilities	**(1,413)**	(1,877)
	–	–

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**ECL provision** HK$'000	**Tax losses** HK$'000	**Tax depreciation** HK$'000	**Total** HK$'000
As at 1 April 2020	(617)	(629)	1,615	369
Charged/(credited) to profit or loss (Note 9)	473	(1,104)	262	(369)
As at 31 March 2021	(144)	(1,733)	1,877	–
Charged/(credited) to profit or loss (Note 9)	61	403	(464)	–
As at 31 March 2022	**(83)**	**(1,330)**	**1,413**	**–**

As at 31 March 2022, the Group has estimated unused tax losses of approximately HK$55,131,000 (2021: HK$54,370,000), which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

As at 31 March 2022, the Group has deductible temporary differences of approximately HK$106,000 (2021: Nil). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

For the year ended 31 March 2022

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to net cash (used in)/generated from operations

	2022 HK$'000	2021 HK$'000
Loss before income tax	**(4,495)**	(6,442)
Adjustments for:		
Depreciation of property, plant and equipment	**5,933**	6,606
Depreciation of right-of-use assets	**34**	1,113
Interest income	**(13)**	(58)
Net impairment losses on financial assets and contract assets	**1,011**	11,614
Gain on disposal of property, plant and equipment	**(83)**	(102)
Operating profit before working capital changes	**2,387**	12,731
Decrease in financial assets at fair value through profit or loss	**–**	2,274
Increase in trade and other receivables	**(47,497)**	(3,452)
Increase in pledged bank deposit	**(12)**	(5,004)
(Increase)/decrease in contract assets	**(11,662)**	4,163
Increase/(decrease) in trade and other payables	**35,394**	(1,914)
Net cash (used in)/generated from operations	**(21,390)**	8,798

(b) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities HK$'000
As at 1 April 2020	67
Payment of lease liabilities	(67)
As at 31 March 2021 and 2022	–

(c) Cash outflows for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 HK$'000	2021 HK$'000
Within operating cash flows	**5,626**	2,031
Within financing cash flows	**–**	67
	5,626	2,098

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26. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following companies that had transactions with the Group are related parties:

Name	Relationship with the Group
Hop Kee Development Co., Limited	A related company owned by Mr. YH Wong and Mr. Tony Wong as to 50% and 30% respectively
Shun Tai Holdings Limited	A related company owned by Mr. YH Wong, Mr. Tony Wong and Mr. Lai as to 40%, 30% and 30% respectively

(b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties during the year.

	Notes	**2022 HK$'000**	2021 HK$'000
Rental of office and car parks paid to:			
Hop Kee Development Co., Limited	i	**420**	540
Short-term warehouse lease expense paid to:			
Shun Tai Holdings Limited	i, ii	**2,400**	–

Notes:

(i) The rental expenses for office premises, car parks and warehouse payable to the above related parties are based on the agreements entered into between the parties involved with lease term of 12 months.

(ii) In prior year, warehouse lease expense was recognised as right-of-use assets (Note 14).

(c) The emoluments of the directors (representing the key management personnel) during the years ended 31 March 2022 and 2021 are disclosed in note 8.

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27. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2022 HK$'000	2021 HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**81,375**	81,375
Current assets		
Other receivables and prepayments	**347**	329
Bank balances	**1,021**	4,021
	1,368	4,350
Total assets	**82,743**	85,725
EQUITY		
Capital and reserves		
Share capital	**40,000**	40,000
Reserves	**37,549**	41,065
Total equity	**77,549**	81,065
LIABILITIES		
Current liabilities		
Accruals	**783**	123
Amounts due to subsidiaries	**4,411**	4,537
Total liabilities	**5,194**	4,660
Total equity and liabilities	**82,743**	85,725
Net current liabilities	**(3,826)**	(310)
Total assets less current liabilities	**77,549**	81,065

The Company's statement of financial position were approved and authorised for issue by the board of directors on 28 June 2022 and signed on its behalf by:

Mr. Wong Yan Hung
Director

Mr. Lai Kwok Fai
Director

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27. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2020	56,625	(2)	(19,559)	37,064
Profit and total comprehensive income for the year	–	–	4,001	4,001
As at 31 March 2021	56,625	(2)	(15,558)	41,065
Loss and total comprehensive expense for the year	–	–	(3,516)	(3,516)
As at 31 March 2022	**56,625**	**(2)**	**(19,074)**	**37,549**

Summary of Financial Information

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

RESULTS

	For the year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**242,292**	144,359	134,392	231,531	131,781
Direct costs	**(224,925)**	(121,309)	(140,540)	(235,802)	(106,247)
Gross profit/(loss)	**17,367**	23,050	(6,148)	(4,271)	25,534
Other income, other gains and losses	**1,539**	4,942	1,090	678	2,287
Change in fair value of financial assets at fair value through profit or loss	**–**	(18)	(2,488)	–	–
Administrative and other operating expenses	**(22,390)**	(22,802)	(22,146)	(22,519)	(21,042)
Net impairment losses on financial assets and contract assets	**(1,011)**	(11,614)	(2,960)	(38)	–
Finance costs	**–**	–	–	(25)	(218)
(Loss)/profit before income tax	**(4,495)**	(6,442)	(32,652)	(26,175)	6,561
Income tax credit/(expense)	**–**	369	(401)	1,043	(999)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company	**(4,495)**	(6,073)	(33,053)	(25,132)	5,562

ASSETS AND LIABILITIES

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**14,377**	19,708	18,059	12,431	19,882
Current assets	**127,811**	91,581	101,653	149,254	165,881
Non-current liabilities	**–**	–	(369)	(856)	(2,143)
Current liabilities	**(54,872)**	(19,478)	(21,459)	(29,892)	(21,249)
Equity attributable to owners of the Company	**87,316**	91,811	97,884	130,937	162,371