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## **HING MING HOLDINGS LIMITED**

**興 銘 控 股 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8425)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Hing Ming Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 March 2021. This announcement, containing the full text of the 2021 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany the preliminary announcement of annual results.

By Order of the Board

**Hing Ming Holdings Limited**

**Tang Hing Keung**

*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, 22 June 2021

*As at the date of this announcement, the executive Directors are Mr. Tang Hing Keung (Chairman and Chief Executive Officer), Ms. Woo Lan Ying (Vice Chairman), Mr. Tang Ming Hei and Ms. Au Man Yi; the non-executive Directors are Ms. Au Fung Yee and Mr. Au Lop Wah Edmond; and the independent non-executive Directors are Mr. Kwan Woon Man Boris, Mr. Chiu Chi Wing, Ms. Li Kai Lai Miranda and Mr. Yeung Chi Fai.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at [www.hing-ming.com](http://www.hing-ming.com).*



# HING MING HOLDINGS LIMITED 興銘控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8425

## 2021 ANNUAL REPORT

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS EXECUTIVE DIRECTORS

Mr. Tang Hing Keung (*Chairman and Chief Executive Officer*)  
Ms. Woo Lan Ying (*Vice Chairman*)  
Mr. Tang Ming Hei  
Ms. Au Man Yi

### NON-EXECUTIVE DIRECTORS

Ms. Au Fung Yee  
Mr. Au Lop Wah Edmond

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Woon Man Boris  
Mr. Chiu Chi Wing  
Ms. Li Kai Lai Miranda  
Mr. Yeung Chi Fai

### AUDIT COMMITTEE

Mr. Chiu Chi Wing (*Chairman*)  
Mr. Kwan Woon Man Boris  
Ms. Li Kai Lai Miranda  
Mr. Yeung Chi Fai

### REMUNERATION COMMITTEE

Ms. Li Kai Lai Miranda (*Chairman*)  
Mr. Kwan Woon Man Boris  
Mr. Chiu Chi Wing  
Mr. Yeung Chi Fai

### NOMINATION COMMITTEE

Mr. Kwan Woon Man Boris (*Chairman*)  
Mr. Chiu Chi Wing  
Ms. Li Kai Lai Miranda  
Mr. Yeung Chi Fai

### AUTHORISED REPRESENTATIVES

Mr. Tang Hing Keung  
Mr. Tang Ming Hei

### COMPANY SECRETARY

Ms. Lam Yuen Lan

### COMPLIANCE OFFICER

Mr. Tang Ming Hei

### INDEPENDENT AUDITOR

Baker Tilly Hong Kong Limited  
*Certified Public Accountants*  
2nd Floor, 625 King's Road  
North Point  
Hong Kong

### LEGAL ADVISER

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

### PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited  
DBS Bank (Hong Kong) Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR

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

### REGISTERED OFFICE

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A4, 2/F., Tsim Sha Tsui Mansion  
83-87 Nathan Road  
Kowloon  
Hong Kong

### STOCK CODE

8425

### COMPANY WEBSITE

[www.hing-ming.com](http://www.hing-ming.com)

## CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of Hing Ming Holdings Limited (the “**Company**” or “**our Company**”) and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the year ended 31 March 2021 (“**FY2021**”) on behalf of the board (the “**Board**” or “**our Board**”) of directors (the “**Directors**” or “**our Directors**”) of the Company.

### BUSINESS AND FINANCIAL REVIEW

In FY2021, our Group recorded a decrease in revenue by approximately 5.1% from approximately HK\$55.2 million for the year ended 31 March 2020 (“**FY2020**”) to approximately HK\$52.4 million for FY2021. Our Group recorded a profit before tax of approximately HK\$8.5 million in FY2021 which represented an increase of approximately HK\$1.8 million or 26.0% from approximately HK\$6.8 million in FY2020. Such increase was mainly attributable to the income received from anti-epidemic fund subsidy scheme of approximately HK\$1.5 million.

### OUTLOOK

Looking forward, it is possible that the operating environment will remain challenging due to a recession in Hong Kong's construction market as a result of the outbreak of the novel coronavirus pandemic (“**COVID-19**”) since early 2020 which is still subsisting today. The Board will continue to strengthen our Group's position in our core business and submit tenders for new projects with a prudent approach aiming to enhance our Group's profitability and the shareholders' value in the long run.

Furthermore, our Group will also explore other potential investment opportunities in order to diversify our Group's business and create new source of revenue to our Group.

### APPRECIATION

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

**Tang Hing Keung**

*Chairman and Chief Executive Officer*

Hong Kong, 22 June 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION

Our Group is principally engaged in (i) providing rental services of temporary suspended working platforms and other equipment, mainly including tower cranes and generators; and (ii) trading of equipment and spare parts, mainly including permanent suspended working platforms, motors and wire rope. We have over 20 years of experience in providing rental and related services of temporary suspended working platforms to our customers.

## BUSINESS REVIEW AND OUTLOOK

Our temporary suspended working platforms and tower cranes are commonly used in housing construction. We believe that housing construction will continue to drive the demand for our machinery in the future. Given that the number of applications for public housing has been increasing in recent years in Hong Kong, the Hong Kong government and related departments are trying to find more locations to build public housing estates in order to cater for the huge demands. In view of the above, we are confident that the demand for our temporary suspended working platforms and tower cranes will remain strong in the years to come.

## RENTAL AND RELATED SERVICES

Our Group has been providing temporary suspended working platforms to our customers for housing construction or repair and refurbishment purposes. We source motors and other temporary suspended working platform components separately from our suppliers, and we assemble the platforms in our storage and repairing workshop located in Pat Heung, Hong Kong. Apart from temporary suspended working platforms, our Group also offers tower crane and generator rental services to our customers for housing construction purpose.

## TRADING OF EQUIPMENT AND SPARE PARTS

With our established customer and supplier base, we also engage in the trading of equipment and spare parts, mainly including permanent suspended working platforms, motors and wire rope, predominantly in Hong Kong which further enhances our capability to satisfy customers' demands. We source our equipment and spare parts from suppliers mainly located in Germany, Belgium, Spain and China, and sell them mainly to construction contractors and trading companies in Hong Kong.

Looking forward, drawing on our Group's extensive expertise, our Group will strive to lead the temporary suspended working platform industry with the offer of our high-quality equipment and premium service and will also seize emerging opportunities in the growing equipment rental industry.

For the long-term and diversified development of our Group, we have been exploring other business opportunities in the construction industry in Hong Kong, in an attempt to create greater sustainable returns for our shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RENTAL FLEET

As at 31 March 2021, the machinery which we carried as part of our rental fleet included temporary suspended working platforms, tower cranes and generators. Details of the machinery available for our rental operations are summarised as follows:

|                                       | As at                            |                                  |
|---------------------------------------|----------------------------------|----------------------------------|
|                                       | 31 March 2021<br>Number in fleet | 31 March 2020<br>Number in fleet |
| Temporary suspended working platforms | 1,218                            | 1,218                            |
| Tower cranes                          | 33                               | 25                               |
| Generators                            | 20                               | 26                               |

In order to capture the market demand for rental services of tower cranes and to meet the needs of our customers, we purchased 8 tower cranes during FY2021. Such new tower cranes have been used for building construction projects in Shatin and Yuen Long, Hong Kong.

Our Directors will continue to monitor the expansion plan of our rental fleet and the capital requirements of our Group regularly, and will consider rescheduling such expansion according to our operation and needs, the preference of our target customers and the market conditions if necessary. We shall also review regularly the timing for the purchase of additional, and the replacement of existing, construction machineries if, among others, market conditions have changed.

### FINANCIAL REVIEW REVENUE

Our Group recorded a decrease in revenue for FY2021, which decreased by approximately 5.1% to approximately HK\$52.4 million as compared with the revenue of approximately HK\$55.2 million for FY2020. The decrease was mainly due to the decrease in income generated from trading of permanent suspended working platforms business.

### COST OF SALES AND SERVICES RENDERED

Our Group's cost of sales and services rendered amounted to approximately HK\$32.8 million for FY2021, representing a decrease of approximately 7.3% (FY2020: approximately HK\$35.4 million). Cost of sales and services rendered mainly represents the cost of inventories sold and materials consumed, staff costs, rental of equipment and depreciation. The decrease was in line with the decrease in revenue for FY2021.

### GROSS PROFIT AND GROSS PROFIT MARGIN

Our Group's gross profit remained stable at approximately HK\$19.5 million for FY2021 (FY2020: approximately HK\$19.8 million), with gross profit margin at approximately 37.3% (FY2020: approximately 35.9%). Gross profit margin remains consistent as compared to the corresponding period last year.

### OTHER INCOME

Our Group recognised other income of approximately HK\$2.3 million and HK\$0.3 million for FY2021 and FY2020, respectively. The increase was mainly due to the income received from anti-epidemic fund subsidy scheme of approximately HK\$1.5 million and gain on disposal of property, plant and equipment of approximately HK\$0.5 million for FY2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ADMINISTRATIVE EXPENSES

Our administrative expenses amounted to HK\$12.5 million and HK\$10.6 million for FY2021 and FY2020, respectively. Administrative expenses primarily consist of salaries and benefit payments paid to directors and staff, depreciation, audit fee and legal and professional fees to ensure on going compliance with relevant rules and regulations. The increase in administrative expenses was mainly due to the performance bonus paid to directors and staff of approximately HK\$3.3 million in FY2021.

### FINANCE COSTS

Our finance costs decreased by approximately HK\$0.3 million or 39.1% from approximately HK\$0.7 million for FY2020 to approximately HK\$0.4 million for FY2021. The decrease was mainly due to the decrease in finance liabilities under the finance lease of tower cranes.

### PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Our Group recorded a profit and total comprehensive income of approximately HK\$4.6 million for FY2021 and approximately HK\$1.1 million for FY2020. The increase was mainly attributable to (i) the increase in other income received from anti-epidemic fund subsidy scheme of approximately HK\$1.5 million and (ii) the decrease in income tax expense recorded in FY2021.

### CAPITAL EXPENDITURE

Our Group's capital expenditure during FY2021 primarily comprised expenditure on plant and machinery, motor vehicles as well as furniture and equipment, amounting to a total of approximately HK\$22.0 million (FY2020: approximately HK\$37.4 million). The vast majority of the capital expenditure was used to purchase additional tower cranes and generators, which accounted for approximately 98.4% (FY2020: 83.8%) and 1.6% (FY2020: 1.1%), respectively, of the total capital expenditure in FY2021.

### LIQUIDITY AND CAPITAL RESOURCES

Our Group financed the operations through a combination of cash flow from operations and finance leases. As at 31 March 2021, our Group had cash and cash equivalents of approximately HK\$13.8 million (FY2020: approximately HK\$22.5 million).

As at 31 March 2021, we had lease liabilities of approximately HK\$3.3 million (FY2020: finance lease payables of approximately HK\$10.4 million), which were all denominated in Hong Kong Dollars. Our gearing ratio, calculated based on the finance lease liabilities divided by the total equity at the end of the year and multiplied by 100%, stood at approximately 2.6% as at 31 March 2021 (FY2020: approximately 8.7%). Our Group's financial position is sound and strong. With available bank balances and cash and banking facilities, our Group has sufficient liquidity to satisfy the funding requirements.

### CAPITAL STRUCTURE

As at 31 March 2021, our Company's issued share capital amounted to HK\$4,000,000 and there were a total of 400,000,000 issued ordinary shares with a nominal value of HK\$0.01 each.

### CAPITAL COMMITMENTS

As at 31 March 2021, the Group had capital commitments amounted to HK\$2.1 million (FY2020: HK\$6.0 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTINGENT LIABILITIES

As at 31 March 2021, the Company issued corporate guarantee to a subsidiary in respect of the plant and machinery under lease arrangement at 6.19% per annum (FY2020: 6.19%) with the carrying amount of approximately HK\$1.8 million (FY2020: HK\$7.2 million).

Save as disclosed above, as at 31 March 2021, our Group had no material contingent liabilities (FY2020: Nil).

### FOREIGN EXCHANGE EXPOSURE

Our Group's revenue generating operations are mainly transacted in Hong Kong Dollars. Our Directors consider that the impact of foreign exchange exposure to our Group is minimal.

### DIVIDEND

Our Board has resolved not to recommend the payment of a final dividend for FY2021 (FY2020: Nil).

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during FY2021 and was no other plan for material investments or capital assets as at 31 March 2021.

### SIGNIFICANT INVESTMENTS

As at 31 March 2021, our Group did not hold any significant investments.

### CHARGE ON OUR GROUP'S ASSETS

As at 31 March 2021, our Group had no charges on our Group's assets.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, our Group employed 37 (FY2020: 44) full-time employees. Staff costs of our Group (including Directors' remuneration) were approximately HK\$15.6 million in FY2021 (FY2020: approximately HK\$14.9 million). The staff cost included the performance bonus paid to directors and staff of approximately HK\$3.3 million paid during FY2021. We determine the employees' remuneration based on factors such as qualification, responsibilities, contributions and years of experience. In addition to the basic salary and discretionary bonus that may be granted to staff by reference to the Group's financial results, individual staff member's performance and the market conditions, we provide a defined contribution to the mandatory provident fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. The key principle of our remuneration policy is to remunerate employees in a manner that is market competitive. We regularly carry out staff evaluation to assess their performance. Furthermore, our Company has adopted a share option scheme to reward the participants (as defined thereunder) for their contribution to our Group. The Group also arranges on-the-job trainings relevant to the employees' current job duties to update and further develop their skills and knowledge.

### PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

During FY2021, our Company did not redeem its listed securities, nor did our Company or any of its subsidiaries purchase or sell any of such securities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the prospectus of the Company dated 28 February 2017 (the "**Prospectus**") with actual business progress from 15 March 2017 (the "**Listing Date**") to 31 March 2021.

| Business objectives                                                                          | Actual progress                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strengthen our market position in the suspended working platform industry                    | Our Group has acquired new motors and other necessary components for replacement of old temporary suspended working platforms.                                                                                                                                               |
| Diversify our income stream and capture the market demand of rental services of tower cranes | Our Group acquired six tower cranes in order to capture the market demand of rental services of tower crane and meet the needs of our customers. Our Group retained two general technicians and a sales manager to support our operation in the tower crane rental business. |

### USE OF PROCEEDS FROM THE SHARE OFFER

The issued shares of our Company (the "**Shares**") were initially listed on GEM of the Stock Exchange on the Listing Date by way of share offer of a total of 100,000,000 new Shares at an offer price of HK\$0.75 each (the "**Share Offer**") and the net proceeds raised from the Share Offer were approximately HK\$53.3 million after deducting the listing expenses.

As disclosed in the Company's announcement dated 28 August 2020, the use of the net proceeds (the "**Net Proceeds**") from the listing of the Shares on GEM of the Stock Exchange by way of placing of new Shares has changed. Details of the actual utilisation of the Net Proceeds up to 31 March 2021 is set out below:

| Use of Net Proceeds                                                                                  | Planned use of Net Proceeds as disclosed in the Prospectus<br>HK\$ (million) | Revised allocation of Net Proceeds as per announcement dated 28 August 2020<br>HK\$ (million) | Net Proceeds utilised as at 31 March 2021<br>HK\$ (million) | Net Proceeds unutilised as at 31 March 2021<br>HK\$ (million) |
|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|
|                                                                                                      |                                                                              |                                                                                               |                                                             |                                                               |
| Strengthen the Group's market position in the suspended working platform industry                    | 14.0                                                                         | 6.8                                                                                           | 6.8                                                         | —                                                             |
| Diversify the Group's income stream and capture the market demand of rental services of tower cranes | 35.2                                                                         | 42.4                                                                                          | 42.4                                                        | —                                                             |
| General working capital                                                                              | 4.1                                                                          | 4.1                                                                                           | 4.1                                                         | —                                                             |
|                                                                                                      | 53.3                                                                         | 53.3                                                                                          | 53.3                                                        | —                                                             |

## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

Our Board consists of ten Directors, comprising four executive Directors, two non-executive Directors and four independent non-executive Directors. Our Board is responsible for and has general powers for management and conduct of our Group's business. Our senior management consists of our director of engineering, financial controller and company secretary. Our senior management is responsible for the day-to-day management of our business.

### DIRECTORS

#### EXECUTIVE DIRECTORS

##### Mr. Tang Hing Keung (鄧興強)

*Executive Director, Chairman and Chief Executive Officer*

Mr. Tang Hing Keung, aged 63, was appointed as our Director on 8 April 2016 and designated as our executive Director on 24 June 2016. Mr. Tang Hing Keung also holds directorships in all the subsidiaries of the Company. He is one of the founders of our Group, the chairman of our Board and the chief executive officer of the Company, responsible for strategic planning and the overall management and supervision of operations of our Group. Mr. Tang Hing Keung has been a director of Hing Ming Gondola (HK) Company Limited ("**Hing Ming Gondola**") and Trend Novel Limited, both wholly-owned subsidiaries of the Company since September 1997 and April 2016, respectively.

Mr. Tang Hing Keung has over 20 years of experience in the construction industry, in particular the suspended working platform industry and the tower crane industry in Hong Kong. Prior to incorporating Hing Ming Gondola, he worked in a number of construction companies in Hong Kong. From 1979 to 1983, Mr. Tang Hing Keung worked as a technician in Hopewell Construction Company Limited, mainly responsible for (i) operating tower cranes, welding machines and hydraulic machines, and (ii) repairing tower cranes, suspended working platforms and security cages for workers. From 1983 to 1988, Mr. Tang Hing Keung worked as a technician in Hip Hing Construction Company Limited, mainly responsible for (i) operating tower cranes and welding machines, (ii) installing and repairing construction equipment and (iii) installing security cages for workers. In 1988 and 1989, he worked in Gammon Construction Limited, mainly responsible for operating tower cranes. In February 1990, he established Hing Ming Engineering Co. as a sole proprietorship to start up his own business of machinery engineering in Hong Kong. Mr. Tang Hing Keung completed a three-year prevocational course in Caritas St. Joseph Prevocational School in November 1974.

Mr. Tang Hing Keung was conferred the title of honorary principal of 龍潭興銘雁心小學 (Longtan Hing Ming Hearts Hope Primary School) and 興銘雁心希望小學 (Hing Ming Hearts Hope Primary School) in September 2010 and March 2013, respectively. Both of the schools are in Hunan, the People's Republic of China (the "**PRC**").

Mr. Tang Hing Keung is the husband of Ms. Au Fung Yee, a non-executive Director, the father of Mr. Tang Ming Hei, an executive Director, and the brother-in-law of Mr. Au Lop Wah Edmond, a non-executive Director.

##### Ms. Woo Lan Ying (胡蘭英)

*Executive Director and Vice Chairman*

Ms. Woo Lan Ying, aged 53, was appointed as our executive Director and vice chairman of our Board on 9 March 2021. She is an entrepreneur operating various businesses, including but not limited to consultancy and entertainment business. Ms. Woo has extensive experience in corporate management and project investments. Ms. Woo also involved in a lot of charitable and community activities and was a member of the Campaign Committee of The Community Chest of Hong Kong for the year of 2018/2019.

Ms. Woo has been an executive director of Jete Power Holdings Limited (Stock Code: 8133), a company listed on the GEM of the Stock Exchange, since December 2020.

## DIRECTORS AND SENIOR MANAGEMENT

### **Mr. Tang Ming Hei (鄧銘禧)**

#### *Executive Director*

Mr. Tang Ming Hei, aged 33, was appointed as our Director on 24 May 2016 and designated as our executive Director on 24 June 2016. He was also appointed as the compliance officer of the Company on 23 June 2016. He is responsible for advising on compliance matters of our Group.

Mr. Tang Ming Hei had worked as a part-time compliance consultant of Hing Ming Gondola since December 2015 until he joined our Group as a full-time compliance consultant in April 2016. He worked in CACEIS Hong Kong Trust Company Limited, a member of Crédit Agricole Group, from December 2014 to April 2016. From November 2013 to December 2014, he worked as a tax consultant in KPMG Tax Limited.

Mr. Tang Ming Hei obtained a dual degree of Bachelors of Laws and Commerce from The University of Queensland, Australia in July 2012. In July 2013, he obtained the Graduate Diploma in Legal Practice from The Australian National University, Australia and obtained a degree of Master of Commerce in Financial Econometrics from the University of New South Wales, Australia.

Mr. Tang Ming Hei was admitted as a Lawyer of the Supreme Court of New South Wales by The Supreme Court of New South Wales in July 2013. He was also admitted as an associate member of CPA Australia in June 2014.

Mr. Tang Ming Hei is the son of Mr. Tang Hing Keung and Ms. Au Fung Yee, an executive Director and a non-executive Director, respectively and the nephew of Mr. Au Lop Wah Edmond, a non-executive Director.

### **Ms. Au Man Yi (歐敏誼)**

#### *Executive Director*

Ms. Au Man Yi, aged 37, was appointed as our executive Director on 16 January 2018. Ms. Au M. Y. is also a director of Hing Ming Construction Equipment Company Limited, which is a subsidiary of the Company. She is responsible for strategic planning and overall management and supervision of operations, and advises on compliance matters of our Group. Ms. Au M. Y. has been working as a sales manager of Hing Ming Gondola since July 2017.

Ms. Au M. Y. obtained a degree of Bachelor of Arts in Accountancy in 2005 and a degree of Master of Corporate Governance in 2014 from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom (the “UK”). Ms. Au M. Y. has over 15 years of experience in auditing, financial reporting and financial management.

From September 2013 to September 2015, Ms. Au M. Y. was the chief financial officer of Long Success International (Holdings) Limited (stock code: 8017). Ms. Au M. Y. was an executive director of KSL Holdings Limited (currently known as China All Nation International Holdings Group Limited) (stock code: 8170) from October 2015 to June 2017 and the company secretary of KSL Holdings Limited (currently known as China All Nation International Holdings Group Limited) from April 2016 to June 2016. From October 2015 to June 2016, Ms. Au M. Y. was the company secretary of Glory Flame Holdings Limited (stock code: 8059). The shares of all the aforementioned companies are listed on GEM of the Stock Exchange (“GEM”) except for the first-mentioned company which has been delisted.

## DIRECTORS AND SENIOR MANAGEMENT

From February 2015 to May 2017, Ms. Au M. Y. was an independent non-executive director of JC Group Holdings Limited (currently known as Tonking New Energy Group Holdings Limited) (stock code: 8326), the shares of which are listed on GEM. From July 2015 to September 2016, Ms. Au M. Y. was also an independent non-executive director of King Force Security Holdings Limited (currently known as Greatwalle Inc.) (stock code: 8315), the shares of which are listed on GEM.

### NON-EXECUTIVE DIRECTORS

#### **Ms. Au Fung Yee (區鳳怡)**

*Non-executive Director*

Ms. Au Fung Yee, aged 58, was appointed as our Director on 8 April 2016 and designated as our non-executive Director on 24 June 2016. She is one of the founders of our Group and is responsible for the strategic planning and financial planning of our Group. Ms. Au F. Y. has been a director of Hing Ming Gondola and Trend Novel Limited since September 1997 and April 2016, respectively.

Ms. Au F. Y. has more than 15 years of experience in the business of suspended working platforms-related business. She founded Hing Ming Gondola together with Mr. Tang Hing Keung in September 1997 and has been a director thereof since then, mainly responsible for handling financial matters. She was also the company secretary of Hing Ming Gondola during the period between September 1997 and June 2006.

Ms. Au F. Y. is the wife of Mr. Tang Hing Keung, the chairman of the Board, an executive Director and the chief executive officer of the Company, the mother of Mr. Tang Ming Hei, an executive Director, and the younger sister of Mr. Au Lop Wah Edmond, a non-executive Director.

#### **Mr. Au Lop Wah Edmond (區立華)**

*Non-executive Director*

Mr. Au Lop Wah Edmond, aged 65, was appointed as our Director on 24 May 2016 and designated as our non-executive Director on 24 June 2016. He is primarily responsible for advising on opportunities for business development and expansion of our Group.

Mr. Au has more than 20 years of experience in engineering and corporation management. From April 1999 to April 2017, he was a director of Alstom Power Service (Hong Kong) Limited (currently known as GE Power Service (Hong Kong) Limited), mainly responsible for the development of the company. From January 1996 to April 1999, he worked as a construction engineer in Mass Transit Railway Corporation, mainly responsible for project management. In October 1973, he joined China Light & Power Company, Limited as a student apprentice, and left as a mechanical maintenance engineer in November 1994.

Mr. Au obtained a Certificate in Supervisory Management from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1980. He was also awarded the Associateship in Mechanical Engineering by Hong Kong Polytechnic in November 1988. In September 1989, he obtained a Diploma in Management Studies awarded jointly by Hong Kong Polytechnic and Hong Kong Management Association.

Mr. Au was admitted as a member and was registered as a Chartered Mechanical Engineer with The Institution of Mechanical Engineers in June 1990 in the UK. He was also admitted as a member of The Hong Kong Institution of Engineers in November 1994.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Au is the elder brother of Ms. Au Fung Yee, a non-executive Director, the brother-in-law of Mr. Tang Hing Keung, the chairman of the Board, an executive Director and the chief executive officer of the Company, and the uncle of Mr. Tang Ming Hei, an executive Director.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### Mr. Kwan Woon Man Boris (關煥民)

*Independent Non-executive Director*

Mr. Kwan Woon Man Boris, aged 62, was appointed as our independent non-executive Director on 23 February 2017. He has been the chairman of the nomination committee of the Board (the “**Nomination Committee**”) as well as a member of each of the audit committee of the Board (the “**Audit Committee**”) and the remuneration committee of the Board (the “**Remuneration Committee**”) since the same date. He is primarily responsible for providing independent advice to our Board.

Mr. Kwan is a principal security manager of Megastrength Security Services Company Limited, mainly responsible for management of the company. He joined the Hong Kong Police Force in 1978 and retired in 2014 with his last position being the chief inspector. During his service with the Hong Kong Police Force, he was awarded the Hong Kong Police Medal for Meritorious Service in the Hong Kong Special Administrative Region 2014 Honours List in July 2014.

Mr. Kwan completed a Diploma Programme in Police Studies organised by the School of Continuing Studies, The Chinese University of Hong Kong in January 2002.

#### Mr. Chiu Chi Wing (趙志榮)

*Independent Non-executive Director*

Mr. Chiu Chi Wing, aged 57, was appointed as our independent non-executive Director on 23 February 2017. He has been the chairman of the Audit Committee as well as a member of each of the Nomination Committee and the Remuneration Committee since the same date. He is primarily responsible for providing independent advice to the Board.

Mr. Chiu has over 20 years of experience in accounting, auditing and taxation. He is a co-founder and is currently a director of Lixin C.P.A. Limited which was founded in May 2002, mainly responsible for reviewing and providing technical advice and providing training to staff for audit, taxation, accounting and company secretarial matters. From November 1990 to March 1991, he worked as the internal auditor of The Po Leung Kuk, mainly responsible for carrying out internal audit works. From August 1986 to October 1990, Mr. Chiu worked in KPMG, mainly responsible for audit works.

Mr. Chiu obtained an Honours Diploma in Accountancy from Lingnan College (currently known as Lingnan University) in November 1986. He was admitted as an associate and a fellow of the Hong Kong Institute of Certified Public Accountants in February 1990 and September 1997, respectively. Mr. Chiu was appointed as a member of the Court of Lingnan University from October 2001 to October 2005, and a member of the Council of Lingnan University from August 2006 to August 2009.

On 18 November 2016, Mr. Chiu was appointed as an independent non-executive director of Gudou Holdings Limited, a company listed on GEM (stock code: 8308).

## DIRECTORS AND SENIOR MANAGEMENT

### **Ms. Li Kai Lai Miranda (李嘉麗)**

*Independent Non-executive Director*

Ms. Li Kai Lai Miranda, aged 47, was appointed as our independent non-executive Director on 9 May 2018. She was also appointed as the chairman of the Remuneration Committee as well as a member of each of the Audit Committee and the Nomination Committee on the same date. Ms. Li is primarily responsible for providing independent advice to our Board.

Ms. Li obtained a Diploma in Computer Programming and Analysis from Seneca College of Applied Arts and Technology in Canada in June 2004. Ms. Li has more than 9 years of experience in corporate management. From February 2009 to April 2014, she was a director of Soho Workstation Limited, a private company which was dissolved by deregistration in January 2018, and was mainly responsible for formulating marketing strategies and working on ad-hoc projects related to business centre field. Since September 2009, she has been a director of Trusty Surveyors Limited, mainly responsible for rental related service to tenants and assisting with lease renewal. Since November 2010, she has also been a director of Soho Funds Investment Limited, mainly responsible for providing a spectrum of yachting solutions, including insurance, berthing, captains and crew, management and emergency support services for luxury yacht charter.

On 15 January 2021, Ms. Li was appointed as an executive director of Yuk Wing Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1536).

### **Mr. Yeung Chi Fai (楊志輝)**

*Independent non-executive director*

Mr. Yeung Chi Fai (楊志輝), aged 71, was appointed as our independent non-executive Director on 5 March 2021. He has been the member of the Audit Committee, the Nomination Committee and the Remuneration Committee since the same date. He is primarily responsible for providing independent advice to the Board.

Mr. Yeung joined the Hong Kong Police Force in August 1972 and retired from the Hong Kong Police Force in June 2005 with his last position being station sergeant. During his service with the Hong Kong Police Force, he was awarded the Police Long Service Medal in August 1990, the 1st Clasp in August 1997 and the 2nd Clasp in August 2002. On the occasion of his retirement, he was awarded the Certificate of Exemplary Service from the Commissioner of Hong Kong Police in May 2004 which further recognised his diligence, efficiency and high standard of duty performance during his service with the Hong Kong Police Force.

Save as disclosed in the sections headed "Directors and Senior Management" on pages 9 to 13 and "Report of the Directors" on pages 14 to 25 of this annual report, none of the Directors is a director or employee of a company which has an interest in the share capital of the Company which would fall to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

## REPORT OF THE DIRECTORS

The Board is pleased to present to the shareholders the annual report together with the audited consolidated financial statements of our Group for FY2021.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and details including the principal activities of its subsidiaries are set out in note 27 to the consolidated financial statements. There was no significant change in our Group's principal activities during FY2021.

### CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 8 April 2016 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. In preparation for the listing of the Shares on GEM, the companies now comprising our Group underwent a corporate reorganisation (the **"Reorganisation"**), pursuant to which the Company became the holding company of our Group on 23 February 2017. For details of the Reorganisation, please refer to the section headed "History, Development and Reorganisation" in the Prospectus.

The issued Shares have been listed on GEM of the Stock Exchange since 15 March 2017.

### RESULTS AND APPROPRIATIONS

The results of our Group for FY2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report. No dividend was paid or proposed by the Company during FY2021.

The Board has resolved not to recommend the payment of a final dividend for FY2021 (FY2020: Nil).

### CHARITABLE DONATIONS

Charitable donations made by the Group during FY2021 amounted to HK\$104,000 (FY2020: HK\$Nil).

### BUSINESS REVIEW

The review of the business of our Group during FY2021 and the discussion on our Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on page 3 and pages 4 to 8, respectively, of this annual report, and the description of principal risks and uncertainties facing our Group and the key financial performance indicators are set out in the sections headed "Report of the Directors" and "Management Discussion and Analysis" on pages 14 to 25 and pages 4 to 8 of this annual report, respectively. The financial risk management objectives and policies of our Group are set out in note 22 to the consolidated financial statements. No important event affecting our Group has occurred since the end of FY2021 and up to the date of this annual report. In addition, discussions on our Group's principal risks and uncertainties, relationships with key stakeholders, environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on our Group are as follows:

### PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to our Group's business have been set out in the Prospectus under the section headed "Risk Factors".

## REPORT OF THE DIRECTORS

### RELATIONSHIP WITH KEY STAKEHOLDERS

Our Group's success depends on, amongst other matters, the support from key stakeholders who/which comprise employees, customers and suppliers.

#### EMPLOYEES

Employees are regarded as important and valuable assets of our Group. The objectives of our Group's human resource management are to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within our Group for career advancement.

#### CUSTOMERS

Our customers consist of construction companies, owners of commercial properties and trading companies in Hong Kong, as well as overseas suspended working platform companies. We have established long-term business relationships with some of our customers for over 10 years. Our sales and marketing team maintains contacts with these customers on a regular basis to understand their needs and to provide relevant information to support their projects.

#### SUPPLIERS

Our suppliers include components and equipment suppliers, many of which are located in Europe, the PRC and Hong Kong. We communicate with our suppliers regularly to ensure that they are committed to delivering high-quality and sustainable products and services. We select suppliers from our pre-approved list of suppliers.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

We believe that our business depends on, among others, our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. In order to meet our customers' requirements, we have established safety, quality and environmental management systems. Through an effective control of our operations, compliance with safety, quality and environmental requirements can be further assured.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Directors confirmed that during FY2021 and up to the date of this annual report, our Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Hong Kong that had a significant impact on it.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of our Group during FY2021 are set out in note 11 to the consolidated financial statements.

### SHARE CAPITAL

Details of the movements in share capital of the Company during FY2021, together with the reasons therefor, are set out in note 21 to the consolidated financial statements.

### PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During FY2021 and thereafter up to the date of this annual report, our Company did not redeem any of its listed securities nor did the Company or any member of our Group purchase or sell such securities.

## REPORT OF THE DIRECTORS

### DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company had reserves amounting to approximately HK\$53.9 million available for distribution as calculated based on the Company's share premium and retained earnings under applicable provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of our Group for the last five financial years is set out on page 92 of this annual report. This summary does not form part of the audited consolidated financial statements of our Group for FY2021.

### DIRECTORS

The Directors during FY2021 and up to the date of this annual report were:

#### EXECUTIVE DIRECTORS

Mr. Tang Hing Keung (*Chairman and Chief Executive Officer*)  
Ms. Woo Lan Ying (*Vice Chairman*) (appointed on 9 March 2021)  
Mr. Tang Ming Hei  
Ms. Au Man Yi

#### NON-EXECUTIVE DIRECTORS

Ms. Au Fung Yee  
Mr. Au Lop Wah Edmond

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Woon Man Boris  
Mr. Chiu Chi Wing  
Ms. Li Kai Lai Miranda  
Mr. Yeung Chi Fai (appointed on 5 March 2021)

Information regarding Directors' emoluments and the five highest paid individuals in our Group are set out in notes 7 and 8 to the consolidated financial statements.

The biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" of this annual report.

Pursuant to article 83(3) of the articles of association of the Company (the "**Articles of Association**"), any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and shall be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Ms. Woo Lan Ying was appointed as an executive Director and Mr. Yeung Chi Fai was appointed as an independent non-executive Director by the Board on 9 March 2021 and on 5 March 2021 respectively as an addition to the existing Board. Thus, they will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election.

## REPORT OF THE DIRECTORS

Pursuant to article 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Pursuant to article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation, who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Ms. Au Fung Yee, Mr. Au Lop Wah Edmond and Mr. Kwan Woon Man Boris will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election thereat.

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

### DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of our executive Directors has entered into a service contract with the Company for a term of three years commencing on the Listing Date or the relevant appointment date unless terminated by not less than three months' notice in writing served by either party on the other, and is subject to other termination provisions therein and the provisions on retirement of Directors as set out in the memorandum of association of the Company and the Articles of Association (the "M&A").

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of three years commencing on the Listing Date or the relevant appointment date unless terminated (i) by not less than one month's notice in writing served by the relevant Director; or (ii) forthwith by the Company by notice in writing, and is subject to other termination provisions therein and the provisions on retirement of Directors as set out in the M&A.

No Director proposed for re-election at the forthcoming AGM has entered into a service contract or letter of appointment with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by our Group during FY2021 or existed at the end of FY2021.

### ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during FY2021 or at the end of FY2021 was the Company, or any of its subsidiaries or fellow subsidiaries, or the holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## REPORT OF THE DIRECTORS

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

As at 31 March 2021, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO) or which would be required (a) pursuant to section 352 of the SFO, to be recorded in the register referred to therein or (b) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, are set out as follows:

#### LONG POSITION IN THE ORDINARY SHARES OF THE COMPANY

| Name of Directors          | Capacity/<br>Nature of Interest      | Number of<br>Shares Held | Percentage<br>of Total Issued<br>Shares |
|----------------------------|--------------------------------------|--------------------------|-----------------------------------------|
| Mr. Tang Hing Keung (Note) | Interest in a controlled corporation | 120,000,000 (L)          | 30.0%                                   |
| Ms. Au Fung Yee (Note)     | Interest of spouse                   | 120,000,000 (L)          | 30.0%                                   |

Note: The Company is owned as to 30.0% by Hing Gut which is an investment holding company. Hing Gut is owned as to 90% by Mr. Tang Hing Keung and as to 10% by Ms. Au Fung Yee. Under the SFO, Mr. Tang Hing Keung is deemed to be interested in the same number of Shares held by Hing Gut. Ms. Au Fung Yee is the wife of Mr. Tang Hing Keung. Under the SFO, Ms. Au Fung Yee is deemed to be interested in the same number of Shares in which Mr. Tang Hing Keung is interested and is deemed to be interested. Mr. Tang Hing Keung and Ms. Au Fung Yee are directors of Hing Gut.

L: Denotes a "long position" (as defined under Part XV of the SFO) in such Shares.

#### LONG POSITION IN THE ORDINARY SHARES OF THE ASSOCIATED CORPORATION

| Name of Directors   | Name of<br>Associated Corporation | Capacity/<br>Nature of Interest | Number of<br>Shares Held | Percentage of<br>Shareholding |
|---------------------|-----------------------------------|---------------------------------|--------------------------|-------------------------------|
| Mr. Tang Hing Keung | Hing Gut (Note)                   | Beneficial owner                | 9                        | 90%                           |
| Ms. Au Fung Yee     | Hing Gut (Note)                   | Beneficial owner                | 1                        | 10%                           |

L: Denotes a "long position" (as defined under Part XV of the SFO) in such Shares.

Save as disclosed above, as at 31 March 2021, none of the Directors and the chief executive of the Company had registered an interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2021, so far as is known to the Directors, the following persons/entity (other than the Directors or chief executive of the Company, whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above) had interests or short positions in the Shares and the underlying Shares, which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

### LONG POSITION IN THE ORDINARY SHARES

| Name of Shareholder        | Capacity/<br>Nature of Interest                                 | Number of<br>Shares Held | Percentage of<br>Total Issued<br>Shares |
|----------------------------|-----------------------------------------------------------------|--------------------------|-----------------------------------------|
| Hing Gut (Notes 1, 2)      | Beneficial Interest                                             | 120,000,000 (L)          | 30.0%                                   |
| Ms. Woo Lan Ying (Notes 2) | Beneficial Interest and interest<br>in a controlled corporation | 93,688,000 (L)           | 23.42%                                  |

Notes:

1. The Company is owned as to 30.0% by Hing Gut. Hing Gut is owned as to 90% by Mr. Tang Hing Keung and as to 10% by Ms. Au Fung Yee. Under the SFO, Mr. Tang Hing Keung is deemed to be interested in the same number of Shares held by Hing Gut. Ms. Au Fung Yee is the wife of Mr. Tang Hing Keung. Under the SFO, Ms. Au Fung Yee is deemed to be interested in the same number of Shares in which Mr. Tang Hing Keung is interested and is deemed to be interested.
2. Ms. Woo Lan Ying is beneficially interested in 90,000,000 Shares. In addition, 3,688,000 Shares are held by Yi Feng Investment Limited, a company wholly-owned by Ms. Woo Lan Ying. By virtue of the SFO, Ms. Woo Lan Ying is deemed to be interested in the Shares held by Yi Feng Investment Limited. Accordingly, Ms. Woo Lan Ying is deemed to be interested in an aggregate 93,688,000 Shares, representing approximately 23.42% of the total number of issued Shares.

L: Denotes a "long position" (as defined under Part XV of the SFO) in such Shares.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any persons who or entities which had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME

#### PURPOSE OF THE SHARE OPTION SCHEME

The Company's share option scheme (the **"Share Option Scheme"**) was adopted pursuant to a resolution passed on 23 February 2017 for the purpose of providing incentives or rewards to eligible persons whom the Board considers, in its sole discretion, to have contributed or will contribute to our Group.

As no share option has been granted under the Share Option Scheme since its adoption and up to 31 March 2021, there was no share option outstanding as at 31 March 2020 and no option was exercised or cancelled or lapsed during FY2021.

#### ELIGIBLE PARTICIPANTS OF THE SHARE OPTION SCHEME

Under the Share Option Scheme, the Board may grant options to eligible persons, including directors of the Company and members of our Group, to subscribe for the Shares. Eligible persons of the Share Option Scheme include, among others, any executive, any employee (including full-time or part-time employee), director (including an independent non-executive Director), shareholder of any member of our Group and an associate of any of the aforementioned persons (the **"Eligible Persons"**).

#### TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE SHARE OPTION SCHEME TOGETHER WITH THE PERCENTAGE OF THE ISSUED SHARES THAT IT REPRESENTS AS AT THE DATE OF THIS ANNUAL REPORT

The Board shall set out in the offer the terms on which the option is to be granted. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options shall be granted under the Share Option Scheme at any time if such grant shall result in the scheme limit being exceeded.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 40,000,000 Shares (equivalent to 10% of the total number of Shares in issue as at the date of this annual report). The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

#### MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT UNDER THE SHARE OPTION SCHEME

Subject to the following paragraph, the maximum number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5.0 million, such further grant of the options shall be subject to prior approval of the shareholders with such person and his associates abstaining from voting in favour at the general meeting.

## REPORT OF THE DIRECTORS

Any grant of options to any Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme is subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of an option).

### PERIOD WITHIN WHICH THE SHARES MUST BE TAKEN UP UNDER THE SHARE OPTION SCHEME

An offer for the grant of options must be accepted within 21 days from the day on which such offer was made.

### MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD BEFORE IT CAN BE EXERCISED

Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceed a period of 10 years from the date on which the options are accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

### AMOUNT PAYABLE ON ACCEPTANCE OF THE OPTION AND THE PERIOD WITHIN WHICH PAYMENTS OR CALLS MUST OR MAY BE MADE OR LOANS FOR SUCH PURPOSES MUST BE REPAID

Options granted shall be taken up upon payment of HK\$1 as consideration for the grant of option. The payment or remittance of HK\$1.00 shall be made within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.

### BASIS OF DETERMINING THE EXERCISE PRICE

The subscription price for the Shares is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer (which must be a business day); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

### REMAINING LIFE OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 23 February 2017. No share options were granted, forfeited or expired during FY2021. As at the date of this annual report, there were a total of 40,000,000 Shares, representing 10% of the issued shares of the Company, available for issue under the Share Option Scheme.

### CONNECTED TRANSACTIONS

Our Group has entered into two transactions with connected persons of the Company, namely (i) the transactions with Maysun Jewellery Manufacturing Company Limited with respect to the provision of registered office and correspondence address services to the Company and Hing Ming Gondola (HK) Company Limited; and (ii) the transactions with Mr. Au Cho Wah with respect to the provision of examination and testing services for suspended working platforms as a Competent Examiner to our Group. Details of such transactions are set out in the section headed "Connected Transactions" in the Prospectus. As disclosed in the Prospectus, such transactions constitute de minimis continuing connected transactions as from the Listing Date and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

### RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by our Group during FY2021 set out in note 26 to the consolidated financial statements included transaction that constitute connected or continuing connected transactions for which the disclosure requirements under Chapter 20 of the GEM Listing Rules have been complied with. Such transactions constitute de minimis continuing connected transactions as from the Listing Date and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no other transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company's holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of FY2021 or at any time during FY2021.

### MANAGEMENT CONTRACTS

No contracts (except for the executive Directors' service contracts) concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2021.

### COMPETING BUSINESS

During FY2021, the Directors were not aware of any business apart from the Group's business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) that had competed or might compete with the business of our Group and any other conflicts of interests which any such person had or might have with our Group except those disclosed under the section headed "Non-Competition Undertaking" below.

### NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and our controlling shareholders, Mr. Tang Hing Keung, Ms. Au Fung Yee and Hing Gut (each a **"Covenantor"** and collectively the **"Covenantors"**) have entered into a deed of non-competition in favour of our Company (for itself and as trustee for and on behalf of each other member of our Group) on 27 February 2017 (the **"Deed of Non-Competition"**). Pursuant to the Deed of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-Competition remains effective, he/she/it shall not, and shall procure his/her/its close associates (other than any member of our Group) not to, carry on, participate in, hold, engage in, be interested in, acquire or operate, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-Competition undertaking" of the Prospectus.

The Company has received an annual written confirmation from each controlling shareholder of the Company in respect of him/her/it and his/her/its close associates in compliance with the Deed of Non-Competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition.

## REPORT OF THE DIRECTORS

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate Directors' liability insurance coverage.

The relevant provisions in the Articles of Association and the Directors' liability insurance were in force during FY2021 and as at the date of this annual report.

### REMUNERATION POLICY

The remuneration policy of the employees of our Group has been set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The remuneration of the Directors is recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted the Share Option Scheme as an incentive to Eligible Persons.

### RETIREMENT BENEFIT SCHEME

Details of our Group's retirement benefit scheme are set out in note 19 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

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

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float throughout FY2021 and thereafter up to the date of this annual report as required under the GEM Listing Rules.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of our Group's turnover and purchases attributable to major customers and suppliers during FY2021 and FY2020 are as follows:

|                                              | FY2021<br>% | FY2020<br>% |
|----------------------------------------------|-------------|-------------|
| Percentage of turnover                       |             |             |
| From the largest customer                    | 41.2        | 57.7        |
| From the five largest customers in aggregate | 86.8        | 88.1        |
| Percentage of purchase                       |             |             |
| From the largest supplier                    | 27.9        | 60.3        |
| From the five largest suppliers in aggregate | 86.8        | 92.2        |

None of the Directors, their close associates (as defined in the GEM Listing Rules) or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued Shares) had any interest in the five largest customers nor suppliers during FY2021.

### CORPORATE GOVERNANCE

Save as disclosed in this annual report, the Company had complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "CG Code") during FY2021.

Details of the principal corporate governance practices of our Group are set out in the section headed "Corporate Governance Report" on pages 26 to 39 of this annual report.

The compliance officer of the Company is Mr. Tang Ming Hei whose biographical details are set out on page 10 of this annual report.

## REPORT OF THE DIRECTORS

### TAX RELIEF

Our Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the Shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

### REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. Chiu Chi Wing (chairman of the Audit Committee), Mr. Kwan Woon Man Boris, Ms. Li Kai Lai Miranda and Mr. Yeung Chi Fai. It has reviewed with the management the accounting principles and practices adopted by our Group and discussed the auditing, internal control and financial reporting matters, including review of the audited consolidated financial statements of our Group for FY2021.

### INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2021 were audited by Baker Tilly Hong Kong Limited, who will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. Baker Tilly Hong Kong Limited has been appointed as auditor of the Company with effect from 1 March 2019 to fill the casual vacancy arising from the resignation of BDO Limited. Save for the above, there has been no other change of the auditor of the Company in the preceding three years.

On behalf of the Board

**Tang Hing Keung**

**Hing Ming Holdings Limited**

*Chairman and Chief Executive Officer*

Hong Kong, 22 June 2021

## CORPORATE GOVERNANCE REPORT

Our Company is committed to fulfilling its responsibilities to its shareholders (the “**Shareholders**”) and protecting and enhancing Shareholders’ values through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of our Group so as to achieve effective accountability.

### CORPORATE GOVERNANCE PRACTICES

The Company has adopted and, save for the deviation from code provision A.2.1 of the CG Code as disclosed in this annual report, has complied with all applicable code provisions as set out in the CG Code during FY2021.

### SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the required standard of dealings in the securities (the “**Required Standard of Dealings**”) as contained in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by our Company on each of the Directors, all Directors have confirmed that they had complied with the Required Standard of Dealings during FY2021.

### BOARD OF DIRECTORS

#### RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF OUR BOARD

Our Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of our Group. Our Board sets our Group’s values and standards and ensures that the requisite financial and human resources support is in place for our Group to achieve its objectives. The functions performed by our Board include but are not limited to formulating our Group’s business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing our Group’s corporate governance practices and all other functions reserved to our Board under the Articles of Association. Our Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The responsibilities of these Board committees include monitoring our Group’s operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place. Our Board may from time to time delegate certain functions to the management of our Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by our Board and assigned to it from time to time.

The Directors have full access to information of our Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company’s expense.

### COMPOSITION

The Company is committed to maintaining a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors (the “**INEDs**”) so that there is a strong independent element on our Board, enabling our Board to exercise effective independent judgment.

## CORPORATE GOVERNANCE REPORT

As at the date of this annual report, our Board comprises the following ten Directors, of which the non-executive Directors and the INEDs in aggregate represent over 60.0% of our Board members:

### EXECUTIVE DIRECTORS

Mr. Tang Hing Keung (*Chairman and Chief Executive Officer*)

Mr. Woo Lan Ying (*Vice Chairman*) (appointed on 9 March 2021)

Mr. Tang Ming Hei

Ms. Au Man Yi

### NON-EXECUTIVE DIRECTORS

Ms. Au Fung Yee

Mr. Au Lop Wah Edmond

### INEDs

Mr. Kwan Woon Man Boris

Mr. Chiu Chi Wing

Ms. Li Kai Lai Miranda

Mr. Yeung Chi Fai (appointed on 5 March 2021)

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

The family relationship among the executive Directors and the non-executive Directors is as follows:

| Name of Directors              | Relationship with   |                   |                 |                       |
|--------------------------------|---------------------|-------------------|-----------------|-----------------------|
|                                | Mr. Tang Hing Keung | Mr. Tang Ming Hei | Ms. Au Fung Yee | Mr. Au Lop Wah Edmond |
| <b>Executive Directors</b>     |                     |                   |                 |                       |
| Mr. Tang Hing Keung            | —                   | Father            | Husband         | Brother-in-law        |
| Mr. Tang Ming Hei              | Son                 | —                 | Son             | Nephew                |
| <b>Non-executive Directors</b> |                     |                   |                 |                       |
| Ms. Au Fung Yee                | Wife                | Mother            | —               | Younger sister        |
| Mr. Au Lop Wah Edmond          | Brother-in-law      | Uncle             | Elder brother   | —                     |

Save as disclosed aforesaid, there was no financial, business, family or other material relationship among the Directors during FY2021 and up to the date of this annual report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to our Board. Through active participation in our Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

## CORPORATE GOVERNANCE REPORT

Throughout FY2021, the Company had three INEDs, meeting the requirements set out in Rules 5.05 and 5.05A of the GEM Listing Rules that the number of INEDs must represent at least one-third of our Board members, and that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules during FY2021 and up to the date of this annual report.

### DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of our Company's operations and business and is fully aware of his/her director's responsibilities under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Each of the Directors named under the paragraph headed "Composition" above attended the training seminar arranged by the Company's Hong Kong legal advisers on directors' responsibilities before their appointments.

The Company will from time to time fund and arrange suitable training to all Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to our Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors in FY2021 is summarised as follows:

| Name of Directors       | Type of trainings |
|-------------------------|-------------------|
| Mr. Tang Hing Keung     | A and B           |
| Ms. Woo Lan Ying        | A and B           |
| Mr. Tang Ming Hei       | A and B           |
| Ms. Au Man Yi           | A and B           |
| Ms. Au Fung Yee         | A and B           |
| Mr. Au Lop Wah Edmond   | A and B           |
| Mr. Kwan Woon Man Boris | A and B           |
| Mr. Chiu Chi Wing       | A and B           |
| Ms. Li Kai Lai Miranda  | A and B           |
| Mr. Yeung Chi Fai       | A and B           |

A: attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

### DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on the Directors' and officers' liabilities in respect of any legal actions taken against the Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Board.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS

The Directors can attend Board meetings in person or through other means of electronic communication in accordance with the Articles of Association. Our Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the Board meeting. To enable the Directors to be properly briefed on issues arising at each of our Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the **"Company Secretary"**) is responsible for recording and keeping all Board meetings' minutes. Draft and final versions of the Board meetings' minutes will be circulated to all Directors for their comments and records respectively within a reasonable time after each Board meeting and the final version is open for the Directors' inspection.

During FY2021, eleven Board meetings were held. The attendance of the respective Directors at the Board meetings during FY2021 are set out below:

| Name of Directors                             | Attendance/Number of meetings |
|-----------------------------------------------|-------------------------------|
| <b>Executive Directors</b>                    |                               |
| Mr. Tang Hing Keung                           | 11/11                         |
| Mr. Woo Lan Ying (appointed on 19 March 2021) | 1/1                           |
| Mr. Tang Ming Hei                             | 11/11                         |
| Ms. Au Man Yi                                 | 11/11                         |
| <b>Non-executive Directors</b>                |                               |
| Ms. Au Fung Yee                               | 11/11                         |
| Mr. Au Lop Wah Edmond                         | 11/11                         |
| <b>Independent Non-executive Directors</b>    |                               |
| Mr. Kwan Woon Man Boris                       | 11/11                         |
| Mr. Chiu Chi Wing                             | 11/11                         |
| Ms. Li Kai Lai Miranda                        | 11/11                         |
| Mr. Yeung Chi Fai (appointed on 5 March 2021) | 2/2                           |

Apart from the above Board meetings, the chairman of our Board (the **"Chairman"**), being the chief executive officer of the Company (the **"Chief Executive Officer"**), held a meeting with all the non-executive Directors (including the INEDs) without the presence of the other executive Directors.

On 22 June 2021, the Board held a meeting to consider and approve, amongst other matters, the consolidated financial statements of the Group for FY2021 (the **"Consolidated Financial Statements"**).

## BOARD DIVERSITY POLICY

During FY2021, our Board has reviewed the Board diversity policy which sets out all measurable objectives to achieve and maintain diversity on our Board to enhance effectiveness of our Board.

## CORPORATE GOVERNANCE REPORT

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that our Board has a balance of skills, experiences and varying perspectives appropriate for the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of our Board members. 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 and knowledge. Our Board considers that our Group achieved the Board diversity policy during FY2021.

### CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Tang Hing Keung is the Chairman and the Chief Executive Officer. In view of the fact that Mr. Tang Hing Keung is one of the co-founders of our Group and has been operating and managing our Group since its establishment in 1997, all the other Directors believe that the vesting of the roles of Chairman and Chief Executive Officer in Mr. Tang Hing Keung is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, the Company has not segregated the roles of the Chairman and the Chief Executive Officer as required by the said code provision.

Mr. Tang Hing Keung provides leadership to the Company and is responsible for strategic planning and the overall management and supervision of operations of our Group.

### BOARD COMMITTEES

Our Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. Our Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for our Board committees are posted on the respective websites of the Stock Exchange and the Company.

### AUDIT COMMITTEE

The Audit Committee was established on 23 February 2017 with written terms of reference in compliance with code provision C.3 of the CG Code and Rules 5.28 to 5.33 of the GEM Listing Rules. It comprises four INEDs, namely Mr. Chiu Chi Wing, Mr. Kwan Woon Man Boris, Ms. Li Kai Lai Miranda and Mr. Yeung Chi Fai. Mr. Chiu Chi Wing is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to our Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and handling any questions regarding their resignation or dismissal;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discussing with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging external auditors to supply non-audit services and reporting to our Board, and identifying and making recommendations on any matters where action or improvement is needed;

## CORPORATE GOVERNANCE REPORT

- monitoring the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;
- discussing the risk management and internal control systems with the management to ensure that the management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by our Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing our Group's financial and accounting policies and practices;
- reviewing the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
- ensuring that our Board will provide a timely response to the issues raised in the external auditors' management letters; and
- considering other topics as defined by our Board.

The Audit Committee held four meetings during FY2021 whereat the Audit Committee, among other matters, reviewed the Group's annual consolidated financial statements, interim and quarterly reports; discussed the internal control of the Group; met with the independent external auditors and reviewed report from the independent external auditors regarding their audit on the Group's annual consolidated financial statements. Details of the attendance of members of the Audit Committee meetings during FY2021 are as follows:

| Name of Members                                                                                   | Number of attendance/<br>Number of meetings |
|---------------------------------------------------------------------------------------------------|---------------------------------------------|
| Mr. Chiu Chi Wing                                                                                 | 4/4                                         |
| Mr. Kwan Woon Man Boris                                                                           | 4/4                                         |
| Ms. Li Kai Lai Miranda                                                                            | 4/4                                         |
| Mr. Yeung Chi Fai (appointed on 5 March 2021 and no meeting was held on or after his appointment) | N/A                                         |

On 22 June 2021, the Audit Committee held a meeting to, amongst others, review the Consolidated Financial Statements and recommend the same to be presented to the Board for consideration and approval.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 February 2017 with written terms of reference in compliance with code provision B.1 of the CG Code and Rules 5.34 to 5.36 of the GEM Listing Rules. The Remuneration Committee comprises four INEDs, namely Ms. Li Kai Lai Miranda, Mr. Kwan Woon Man Boris, Mr. Chiu Chi Wing and Mr. Yeung Chi Fai. Ms. Li Kai Lai Miranda is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to our Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving the management's remuneration proposals by reference to our Board's corporate goals and objectives;
- making recommendations to our Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to our Board on the remuneration of the non-executive Directors;
- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in our Group;
- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving the compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his/her associates (as defined in the GEM Listing Rules) is involved in deciding his/her own remuneration.

During FY2021, the Remuneration Committee held five meetings for, among other matters, reviewing and making recommendations to our Board for considering certain remuneration-related matters of the Directors and senior management.

## CORPORATE GOVERNANCE REPORT

The attendance of each INED at the Remuneration Committee meetings during FY2021 is as follows:

| Name of INEDs                                 | Number of attendance/<br>Number of meetings |
|-----------------------------------------------|---------------------------------------------|
| Ms. Li Kai Lai Miranda                        | 5/5                                         |
| Mr. Kwan Woon Man Boris                       | 5/5                                         |
| Mr. Chiu Chi Wing                             | 5/5                                         |
| Mr. Yeung Chi Fai (appointed on 5 March 2021) | 2/2                                         |

On 22 June 2021, the Remuneration Committee held a meeting to, amongst others, consider certain remuneration-related matters of the Directors and senior management.

### NOMINATION COMMITTEE

The Nomination Committee was established on 23 February 2017 with written terms of reference in compliance with code provision A.5 of the CG Code. It comprises four INEDs, namely Mr. Kwan Woon Man Boris, Mr. Chiu Chi Wing, Ms. Li Kai Lai Miranda and Mr. Yeung Chi Fai. Mr. Kwan Woon Man Boris is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement the Company's corporate strategy, with due regard to the Company's board diversity policy;
- identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to our Board on the appointment or re-appointment of the Directors and the succession planning for the Directors, in particular, the Chairman and the Chief Executive Officer; and
- reviewing the Company's board diversity policy, as appropriate, and reviewing the measurable objectives that the Board has set for implementing the Company's board diversity policy.

During FY2021, the Nomination Committee held three meetings for, among other matters, reviewing the structure, size and composition of our Board, assessing the independence of the INEDs and making recommendations to our Board for considering the re-appointment of the retiring Directors at the 2020 AGM.

## CORPORATE GOVERNANCE REPORT

The attendance of each INED at the Nomination Committee meeting during FY2021 is as follows:

| Name of INEDs                                 | Number of attendance/<br>Number of meetings |
|-----------------------------------------------|---------------------------------------------|
| Mr. Kwan Woon Man Boris                       | 3/3                                         |
| Mr. Chiu Chi Wing                             | 3/3                                         |
| Ms. Li Kai Lai Miranda                        | 3/3                                         |
| Mr. Yeung Chi Fai (appointed on 5 March 2021) | 1/1                                         |

On 22 June 2021, the Nomination Committee held a meeting to, amongst others, assess the independence of the INEDs and make recommendations to our Board for considering the re-appointment of the retiring Directors at the forthcoming AGM.

### CORPORATE GOVERNANCE FUNCTIONS

Our Board is responsible for performing the corporate governance functions as set out in code provision D.3.1 of the CG Code, which include:

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

### NOMINATION PROCEDURES, PROCESS AND CRITERIA

The Nomination Committee leads the process and makes recommendations to the Board for re-election and appointment of Directors, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in light of the challenges and opportunities faced by the Group, as well as the business development and requirements of the Group. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the merit and contribution that the candidate(s) will bring to the Board, having due regard to the election criteria set out in the Nomination Policy which include, inter alia, the character and integrity; the accomplishment and experience; the commitment in respect of available time and relevant interest; the cultural and educational background, the gender, qualification, ethnicity, professional experience, skills, knowledge and length of service; the benefits of diversity on the existing Board as well as the independence of the candidate(s) (for INEDs). The Nomination Committee makes recommendation to the Board to appoint the appropriate person(s) among the candidates nominated for directorship(s). Suitable candidate(s) shall be appointed by the Board in accordance with the Articles of Association and the GEM Listing Rules.

## CORPORATE GOVERNANCE REPORT

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing on the Listing Date or if later, the relevant appointment date.

Each of the non-executive Directors and the INEDs has entered into a letter of appointment with the Company for an initial fixed term of three years commencing on the Listing Date or if later, the relevant appointment date.

Save as disclosed aforesaid, none of the Directors has a service contract or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Principle A.4 of the CG Code stipulates that there should be a formal, considered and transparent procedure for the appointment of new Directors, and all Directors should be subject to re-election at regular intervals. All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Any Director appointed by our Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and shall be subject to re-election at such meeting and any Director appointed by our Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

By virtue of Articles 83 and 84 of the Articles of Association, Ms. Woo Lan Ying, Mr. Yeung Chi Fai, Ms. Au Fung Yee, Mr. Au Lop Wah Edmond and Mr. Kwan Woon Man Boris will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for FY2021 are set out in note 7 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" of this annual report for FY2021 by band is set out below:

| Remuneration band (in HK\$) | Number of individuals |
|-----------------------------|-----------------------|
| Nil to 1,000,000            | 1                     |

### INDEPENDENT AUDITOR'S REMUNERATION

For FY2021, Baker Tilly Hong Kong Limited ("**Baker Tilly**") was engaged as our Group's independent auditor to provide annual audit services.

The remuneration paid/payable to Baker Tilly for FY2021 is set out below:

| Services                          | Fee paid/payable<br>HK\$ |
|-----------------------------------|--------------------------|
| Audit services — Annual audit     | 445,000                  |
| Non-audit services — Tax services | 32,840                   |
| Total                             | 477,840                  |

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Baker Tilly has stated in the independent auditor's report its reporting responsibilities on the Consolidated Financial Statements.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

Our Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. Our Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. Our Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Internal audit function of the Company has been carried out under the leadership of our Board and the Audit Committee.

During FY2021, our Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of our Group covering all material controls, including financial, operational and compliance as well as risk management. Our Board considers that our Group's risk management and internal control systems are adequate and effective.

## DISCLOSURE OF INSIDE INFORMATION

Our Group acknowledges its responsibilities under the SFO and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- our Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- our Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- our Group has strictly prohibited unauthorised use of confidential or inside information; and
- our Group has established and implemented procedures for responding to external enquiries about our Group's affairs, so that only the executive Directors, the Company Secretary and the financial controller of the Company are authorised to communicate with parties outside our Group.

## COMPANY SECRETARY

The Company Secretary is Ms. Lam Yuen Lan, a member of The Hong Kong Institute of Certified Public Accountants. During FY2021, the Company Secretary had duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

## DIVIDEND POLICY

The Company does not have any pre-determined dividend distribution ratio. In determining the declaration and amount of dividend, the Board takes into account, among other things, the Group's earning performance, financial condition, cash flow situation and capital requirements, the availability of funds to meet the financial covenants of the Group's bank loans and any other factors that the Directors may consider relevant.

# CORPORATE GOVERNANCE REPORT

## 2020 AGM

The 2020 AGM was held on 17 August 2020. The Company announced the poll results of the 2020 AGM in the manner prescribed under the GEM Listing Rules. The respective chairman of the Board and the Nomination Committee has attended the AGM held on 17 August 2020 to ensure effective communication with the Shareholders. The attendance record of the Directors at the 2020 AGM is set out below:

| Name of Directors                                                                                 | Number of general meeting attended/held |
|---------------------------------------------------------------------------------------------------|-----------------------------------------|
| <b>Executive Directors</b>                                                                        |                                         |
| Mr. Tang Hing Keung                                                                               | 1/1                                     |
| Ms. Woo Lan Ying (appointed on 9 March 2021 and no meeting was held on or after her appointment)  | N/A                                     |
| Mr. Tang Ming Hei                                                                                 | 1/1                                     |
| Ms. Au Man Yi                                                                                     | 1/1                                     |
| <b>Non-executive Directors</b>                                                                    |                                         |
| Ms. Au Fung Yee                                                                                   | 1/1                                     |
| Mr. Au Lop Wah Edmond                                                                             | 1/1                                     |
| <b>Independent Non-executive Directors</b>                                                        |                                         |
| Mr. Kwan Woon Man Boris                                                                           | 1/1                                     |
| Mr. Chiu Chi Wing                                                                                 | 1/1                                     |
| Ms. Li Kai Lai Miranda                                                                            | 1/1                                     |
| Mr. Yeung Chi Fai (appointed on 5 March 2021 and no meeting was held on or after his appointment) | N/A                                     |

## SHAREHOLDERS' RIGHTS

### PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing the Shareholders to make proposals or move resolutions at the AGMs under the M&A or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

### PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM

According to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to require an EGM to be called by our Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (presently Room A4, 2/F., Tsim Sha Tsui Mansion, 83-87 Nathan Road, Kowloon, Hong Kong) for the attention of the Company Secretary.

## CORPORATE GOVERNANCE REPORT

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask our Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, our Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

If within 21 days of the deposit of the Requisition our Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of our Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

### PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRES TO OUR BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's head office and principal place of business in Hong Kong.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within our Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

### COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

### CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during FY2021.



### TO THE SHAREHOLDERS OF HING MING HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Hing Ming Holdings Limited and its subsidiaries (together the "Group") set out on pages 45 to 91, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

| The Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Impairment of trade receivables</b><br><i>Refer to notes 2(f)(i), 2(h), 13 and 22(a) to the audited consolidated financial statements</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>As at 31 March 2021, the Group had trade receivables of HK\$18,429,000 (2020: HK\$16,832,000) with loss allowance of HK\$4,428,000 (2020: HK\$4,053,000).</p> <p>Loss allowance for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.</p> <p>We identified the loss allowance of trade receivables as a key audit matter because the assessment of loss allowance of trade receivables are inherently subjective and requires significant management judgement.</p> | <p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"><li>evaluating the design, implementation and operating effectiveness for key internal controls which govern credit control, debt collection and estimate of expected credit losses.</li><li>assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices.</li><li>assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance.</li><li>reviewing subsequent settlement records and challenging management regarding their reasons for not considering a provision against any unsettled past-due balances.</li></ul> |

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

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

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

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

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

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Tong Wai Hang.

### **Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 22 June 2021

Tong Wai Hang

Practising certificate number P06231

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021  
(Expressed in Hong Kong dollars)

|                                                           | Note  | 2021<br>HK\$'000    | 2020<br>HK\$'000 |
|-----------------------------------------------------------|-------|---------------------|------------------|
| <b>Revenue</b>                                            | 3     | <b>52,365</b>       | 55,221           |
| Cost of sales and services rendered                       |       | <b>(32,846)</b>     | (35,380)         |
| <b>Gross profit</b>                                       |       | <b>19,519</b>       | 19,841           |
| Other income                                              | 4     | <b>2,305</b>        | 263              |
| Impairment loss on financial assets                       | 22(a) | <b>(375)</b>        | (2,136)          |
| Administrative expenses                                   |       | <b>(12,539)</b>     | (10,551)         |
| <b>Profit from operation</b>                              |       | <b>8,910</b>        | 7,417            |
| Finance costs                                             | 5(a)  | <b>(406)</b>        | (667)            |
| <b>Profit before taxation</b>                             | 5     | <b>8,504</b>        | 6,750            |
| Income tax expense                                        | 6     | <b>(3,925)</b>      | (5,646)          |
| <b>Profit and total comprehensive income for the year</b> |       | <b>4,579</b>        | 1,104            |
| <b>Earnings per share</b>                                 | 9     |                     |                  |
| — Basic and diluted                                       |       | <b>HK1.14 cents</b> | HK0.28 cents     |

The notes on pages 50 to 91 form part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021  
(Expressed in Hong Kong dollars)

|                                                             | Note  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------------------------------------|-------|------------------|------------------|
| <b>Non-current assets</b>                                   |       |                  |                  |
| Property, plant and equipment                               | 11    | 109,683          | 105,089          |
| Deposits paid for purchase of property, plant and equipment |       | 3,683            | 7,299            |
|                                                             |       | <b>113,366</b>   | 112,388          |
| <b>Current assets</b>                                       |       |                  |                  |
| Inventories                                                 | 12    | 185              | 1,192            |
| Trade receivables                                           | 13    | 14,001           | 12,779           |
| Prepayments and deposits                                    | 14    | 1,112            | 1,678            |
| Cash and cash equivalents                                   |       | 13,796           | 22,492           |
|                                                             |       | <b>29,094</b>    | 38,141           |
| <b>Current liabilities</b>                                  |       |                  |                  |
| Contract liabilities                                        | 15    | —                | 1,826            |
| Trade and other payables                                    | 16    | 1,220            | 3,389            |
| Lease liabilities                                           | 17    | 3,282            | 7,158            |
| Current tax payables                                        |       | 397              | 2,666            |
|                                                             |       | <b>4,899</b>     | 15,039           |
| <b>Net current assets</b>                                   |       | <b>24,195</b>    | 23,102           |
| <b>Total assets less current liabilities</b>                |       | <b>137,561</b>   | 135,490          |
| <b>Non-current liabilities</b>                              |       |                  |                  |
| Lease liabilities                                           | 17    | —                | 3,282            |
| Deferred tax liabilities                                    | 18(a) | 13,172           | 12,398           |
|                                                             |       | <b>13,172</b>    | 15,680           |
| <b>NET ASSETS</b>                                           |       | <b>124,389</b>   | 119,810          |
| <b>CAPITAL AND RESERVES</b>                                 |       |                  |                  |
| Share capital                                               | 21(a) | 4,000            | 4,000            |
| Reserves                                                    |       | 120,389          | 115,810          |
| <b>TOTAL EQUITY</b>                                         |       | <b>124,389</b>   | 119,810          |

Approved and authorised for issue by the board of directors on 22 June 2021.

**Tang Hing Keung**

Director

**Au Man Yi**

Director

The notes on pages 50 to 91 form part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021  
(Expressed in Hong Kong dollars)

|                                                       | Share<br>capital<br>HK\$'000<br>(note 21(a)) | Share<br>premium<br>HK\$'000<br>(note 21(c)(i)) | Other<br>reserve<br>HK\$'000<br>(note 21(c)(ii)) | Retained<br>profits<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
|-------------------------------------------------------|----------------------------------------------|-------------------------------------------------|--------------------------------------------------|---------------------------------|-----------------------------|
| <b>Balance at 1 April 2019</b>                        | 4,000                                        | 63,824                                          | 6,000                                            | 44,882                          | 118,706                     |
| Profit and total comprehensive income<br>for the year | —                                            | —                                               | —                                                | 1,104                           | 1,104                       |
| <b>Balance at 31 March 2020</b>                       | 4,000                                        | 63,824                                          | 6,000                                            | 45,986                          | 119,810                     |
| Profit and total comprehensive income<br>for the year | —                                            | —                                               | —                                                | 4,579                           | 4,579                       |
| <b>Balance at 31 March 2021</b>                       | 4,000                                        | 63,824                                          | 6,000                                            | 50,565                          | 124,389                     |

The notes on pages 50 to 91 form part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021  
(Expressed in Hong Kong dollars)

|                                                                         | Note | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------------------------------------------------|------|------------------|------------------|
| <b>Operating activities</b>                                             |      |                  |                  |
| Profit before taxation                                                  |      | 8,504            | 6,750            |
| Adjustments for:                                                        |      |                  |                  |
| — Gain on disposal of property, plant and equipment, net                | 4    | (460)            | —                |
| — Interest income                                                       | 4    | (22)             | (223)            |
| — Finance costs                                                         | 5(a) | 406              | 667              |
| — Depreciation of property, plant and equipment                         | 5(c) | 16,042           | 12,175           |
| — Impairment loss on trade receivables                                  | 5(c) | 375              | 2,136            |
| <b>Operating profit before changes in working capital</b>               |      | 24,845           | 21,505           |
| Decrease in inventories                                                 |      | 1,787            | 2,928            |
| Increase in trade receivables                                           |      | (1,597)          | (553)            |
| Decrease in prepayments and deposits                                    |      | 566              | 1,330            |
| Decrease in contract liabilities                                        |      | (1,826)          | (857)            |
| (Decrease)/increase in trade and other payables                         |      | (2,169)          | 517              |
| <b>Cash generated from operations</b>                                   |      | 21,606           | 24,870           |
| Hong Kong Profits Tax paid                                              |      | (5,420)          | (28)             |
| <b>Net cash generated from operating activities</b>                     |      | 16,186           | 24,842           |
| <b>Investing activities</b>                                             |      |                  |                  |
| Payment for purchase of property, plant and equipment                   |      | (15,411)         | (26,016)         |
| Proceeds from disposal of property, plant and equipment                 |      | 1,028            | —                |
| Increase in deposits paid for purchase of property, plant and equipment |      | (2,957)          | (6,569)          |
| Interest received                                                       |      | 22               | 223              |
| <b>Net cash used in investing activities</b>                            |      | (17,318)         | (32,362)         |

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021  
(Expressed in Hong Kong dollars)

|                                                           | Note | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-----------------------------------------------------------|------|------------------|------------------|
| <b>Financing activities</b>                               |      |                  |                  |
| Capital element of lease rental paid                      | 23   | (7,158)          | (6,904)          |
| Interest element of lease rental paid                     | 23   | (406)            | (667)            |
| <b>Net cash used in financing activities</b>              |      | <b>(7,564)</b>   | <b>(7,571)</b>   |
| <b>Net decrease in cash and cash equivalents</b>          |      | <b>(8,696)</b>   | <b>(15,091)</b>  |
| <b>Cash and cash equivalents at beginning of the year</b> |      | <b>22,492</b>    | <b>37,583</b>    |
| <b>Cash and cash equivalents at end of the year</b>       |      | <b>13,796</b>    | <b>22,492</b>    |

The notes on pages 50 to 91 form part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 1 COMPANY INFORMATION

Hing Ming Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 8 April 2016 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 March 2017. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Room A4, 2/F., Tsim Sha Tsui Mansion, 83–87 Nathan Road, Kowloon.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 27.

As at 31 March 2021, the directors consider the immediate parent and ultimate holding company to be Hing Gut Limited, incorporated in the British Virgin Islands (the “BVI”).

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (A) STATEMENT OF COMPLIANCE

The consolidated financial statements for the year ended 31 March 2021 comprise the Company and its subsidiaries (together the “Group”).

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. There have been no significant changes to the accounting policies applied in these financial statements as a result of these developments. The Group has not applied any new or revised HKFRS that is not yet effective for the current accounting period (see note 30).

A summary of the significant accounting policies adopted by the Group is set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (B) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 29.

### (C) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the changes in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(f)(ii)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (D) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(f)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives at the following annual rates:

|                               |                           |
|-------------------------------|---------------------------|
| Properties leased for own use | Unexpired terms of leases |
| Plant and machinery           | 10 to 15 years            |
| Motor vehicles                | 5 years                   |
| Furniture and equipment       | 5 years                   |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (E) LEASED ASSETS

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### *(i) As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (E) LEASED ASSETS *(Continued)*

#### (i) **As a lessee** *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(f)(ii)). Depreciation is calculated to write off the cost of right-of-use assets using the straight-line method over the lease term or where it was likely the Group would obtain ownership of the assets, the life of the assets, as set out in note 2(d).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

#### (ii) **As a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(q)(ii).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (E) LEASED ASSETS *(Continued)*

#### (ii) *As a lessor (Continued)*

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(e)(i), then the Group classifies the sub-lease as an operating lease.

### (F) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

#### (i) *Credit losses from financial instruments*

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including cash and cash equivalents, deposits, trade receivables and deposits paid for purchase of property, plant and equipment).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at original effective interest rate, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs which result from possible default events over the expected lives of these financial assets. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The 12-month ECLs are losses that are expected to result from possible default events within 12 months after the end of the reporting period.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the end of the reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (F) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

#### (i) **Credit losses from financial instruments** *(Continued)*

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

- failure to make payments of principal and interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (ii) **Impairment of other non-current assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- investments in subsidiaries in the Company's statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (F) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

#### (ii) **Impairment of other non-current assets** *(Continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (G) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in-first out method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (G) INVENTORIES *(Continued)*

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (H) TRADE AND OTHER RECEIVABLES

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(f)(i)).

### (I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses in accordance with the accounting policy set out in note 2(f)(i).

### (J) CONTRACT LIABILITIES

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(q)). A contract liability is also recognised if the Group has unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(h)).

### (K) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (L) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the accounting policy for borrowing costs (see note 2(s)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (M) EMPLOYEE BENEFITS

#### (i) **Short term employee benefits**

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### (ii) **Defined contribution retirement plans**

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

#### (iii) **Share-based payments**

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity.

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible persons as consideration for share options of the Company. The fair value of the services or goods received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options taking into account the terms and conditions upon which the options were granted. Where the counterparties have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

#### (iv) **Termination benefits**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)* (N) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (N) INCOME TAX *(Continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (O) FINANCIAL GUARANTEES ISSUED

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially stated at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated) as deferred income. Thereafter, the amount of the guarantee is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s or the Company’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The Group or the Company monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in deferred income in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation). To determine ECLs, the Group or the Company considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(f)(i) apply.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (O) FINANCIAL GUARANTEES ISSUED *(Continued)*

As the Group or the Company is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group or the Company expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

### (P) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

### (Q) REVENUE AND OTHER INCOME

Income is classified by the Group as revenue when it arises from the sale of goods and provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

#### (i) *Sale of goods*

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (Q) REVENUE AND OTHER INCOME *(Continued)*

#### (ii) **Rental and related service income**

Rental and related service income is recognised over time on an utilisation time basis.

#### (iii) **Interest income**

Interest income is recognised as it accrues using the effective interest method.

#### (iv) **Government grants**

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### (R) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

### (S) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

### (T) RELATED PARTIES

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (T) RELATED PARTIES *(Continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of 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 the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any members of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

### (U) SEGMENT REPORTING

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 3 REVENUE

Revenue represents income received and receivable from rental and related services and trading of equipment and spare parts during the year and is summarised as follows:

|                                                                           | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---------------------------------------------------------------------------|------------------|------------------|
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b> |                  |                  |
| Equipment installation and inspection service                             | 12,385           | 11,301           |
| Trading of equipment and spare parts                                      | 8,628            | 10,659           |
|                                                                           | <b>21,013</b>    | 21,960           |
| <b>Revenue from other sources</b>                                         |                  |                  |
| Rental income from leasing equipment and spare parts                      | 31,352           | 33,261           |
|                                                                           | <b>52,365</b>    | 55,221           |
| <b>Timing of revenue recognition</b>                                      |                  |                  |
| A point in time                                                           | 8,628            | 10,659           |
| Over time                                                                 | 43,737           | 44,562           |
|                                                                           | <b>52,365</b>    | 55,221           |

### (A) REVENUE EXPECTED TO BE RECOGNISED IN THE FUTURE ARISING FROM CONTRACTS WITH CUSTOMERS IN EXISTENCE AT THE REPORTING DATE

As at 31 March 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$2,473,000 (2020: HK\$1,230,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for equipment installation and inspection service and rental income from leasing and spare parts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of rental income from leasing equipment and spare parts, which is expected to occur over the next 1 to 2 years (2020: next 1 to 2 years).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for rental income and related services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of rental income and related services that had an original expected duration of one year or less.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 4 OTHER INCOME

|                                                        | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--------------------------------------------------------|------------------|------------------|
| Bank interest income                                   | 22               | 223              |
| Exchange gains                                         | 276              | —                |
| Government grants (Note)                               | 1,453            | —                |
| Gain on disposal of property, plant and equipment, net | 460              | —                |
| Sundry income                                          | 94               | 40               |
|                                                        | <b>2,305</b>     | <b>263</b>       |

Note: Government grants included Covid-19 relief subsidies received. As at the end of the reporting period, there were no unfulfilled conditions or other contingencies attaching to the subsidies and government grants that had been recognised by the Group.

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

### (A) FINANCE COSTS

|                               | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Interest on lease liabilities | 406              | 667              |

### (B) STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION (NOTE 7)):

|                                                       | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------------------------------|------------------|------------------|
| Salaries, wages and other benefits                    | 15,164           | 14,405           |
| Contributions to defined contribution retirement plan | 465              | 461              |
|                                                       | <b>15,629</b>    | <b>14,866</b>    |

### (C) OTHER ITEMS

|                                                                     | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---------------------------------------------------------------------|------------------|------------------|
| Auditor's remuneration                                              | 445              | 445              |
| Cost of inventories sold and material consumed                      | 4,626            | 8,745            |
| Depreciation of property, plant and equipment                       | 16,042           | 12,175           |
| Expense relating to short-term leases or leases of low-value assets | 21               | 972              |
| Foreign exchange (gain)/loss, net                                   | (276)            | 393              |
| Impairment loss on trade receivables                                | 375              | 2,136            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(A) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

|                                                   | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---------------------------------------------------|------------------|------------------|
| <b>Current tax — Hong Kong Profits Tax</b>        |                  |                  |
| Provision for the year                            | 3,171            | 2,694            |
| Over-provision in respect of prior years          | (20)             | —                |
|                                                   | <b>3,151</b>     | 2,694            |
| <b>Deferred tax (note 18)</b>                     |                  |                  |
| Origination and reversal of temporary differences | 774              | 2,952            |
| Income tax expense                                | <b>3,925</b>     | 5,646            |

#### *Hong Kong Profits Tax*

The provision for Hong Kong Profits Tax for 2021 was calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which was a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2,000,000 of assessable profit was taxed at 8.25% (2020: 8.25%) and the remaining assessable profit was taxed at 16.5%.

#### *Income tax from other tax jurisdictions*

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in respective tax jurisdictions.

(B) Reconciliation between income tax expense and accounting profit at applicable tax rates:

|                                                                        | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|------------------------------------------------------------------------|------------------|------------------|
| Profit before taxation                                                 | 8,504            | 6,750            |
| Notional tax on profit before taxation at Hong Kong statutory tax rate | 1,238            | 949              |
| Tax effect of non-deductible expenses                                  | 315              | 410              |
| Tax effect of non-taxable income                                       | (288)            | (37)             |
| Tax effect of unused tax losses not recognised                         | 2,676            | 4,404            |
| Tax effect of utilisation of tax losses previously not recognised      | —                | (80)             |
| Tax effect of temporary differences not recognised                     | 4                | —                |
| Over-provision in respect of prior year                                | (20)             | —                |
| Income tax expense                                                     | <b>3,925</b>     | 5,646            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the GEM Listing Rules are as follows:

|                                            | Directors' fees  |                  | Salaries, allowances and benefits in kind |                  | Discretionary bonuses |                  | Retirement scheme contributions |                  | Total            |                  |
|--------------------------------------------|------------------|------------------|-------------------------------------------|------------------|-----------------------|------------------|---------------------------------|------------------|------------------|------------------|
|                                            | 2021<br>HK\$'000 | 2020<br>HK\$'000 | 2021<br>HK\$'000                          | 2020<br>HK\$'000 | 2021<br>HK\$'000      | 2020<br>HK\$'000 | 2021<br>HK\$'000                | 2020<br>HK\$'000 | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
| <b>Executive directors</b>                 |                  |                  |                                           |                  |                       |                  |                                 |                  |                  |                  |
| Mr. Tang Hing Keung                        | —                | —                | 1,200                                     | 930              | 1,500                 | 1,000            | 18                              | 18               | 2,718            | 1,948            |
| Mr. Lu Zhaoqing (Note (i))                 | —                | —                | —                                         | 90               | —                     | —                | —                               | —                | —                | 90               |
| Mr. Tang Ming Hei                          | —                | —                | 360                                       | 360              | —                     | —                | 18                              | 18               | 378              | 378              |
| Ms. Au Man Yi                              | —                | —                | 360                                       | 360              | —                     | —                | 18                              | 18               | 378              | 378              |
| Ms. Woo Lan Ying (Note (ii))               | —                | —                | —                                         | —                | —                     | —                | —                               | —                | —                | —                |
| <b>Non-executive directors</b>             |                  |                  |                                           |                  |                       |                  |                                 |                  |                  |                  |
| Ms. Au Fung Yee                            | 150              | 150              | —                                         | —                | —                     | —                | —                               | —                | 150              | 150              |
| Mr. Au Lop Wah Edmond                      | 150              | 150              | —                                         | —                | —                     | —                | —                               | —                | 150              | 150              |
| <b>Independent non-executive directors</b> |                  |                  |                                           |                  |                       |                  |                                 |                  |                  |                  |
| Mr. Kwan Woon Man Boris                    | 100              | 100              | —                                         | —                | —                     | —                | —                               | —                | 100              | 100              |
| Mr. Chiu Chi Wing                          | 100              | 100              | —                                         | —                | —                     | —                | —                               | —                | 100              | 100              |
| Mr. Yeung Chi Fai (Note (iii))             | 8                | —                | —                                         | —                | —                     | —                | —                               | —                | 8                | —                |
| Ms. Li Kai Lai Miranda                     | 100              | 100              | —                                         | —                | —                     | —                | —                               | —                | 100              | 100              |
|                                            | <b>608</b>       | <b>600</b>       | <b>1,920</b>                              | <b>1,740</b>     | <b>1,500</b>          | <b>1,000</b>     | <b>54</b>                       | <b>54</b>        | <b>4,082</b>     | <b>3,394</b>     |

Notes:

(i) Mr. Lu Zhaoqing was appointed on 15 March 2019 and retired on 16 August 2019.

(ii) Ms. Woo Lan Ying was appointed on 9 March 2021.

(iii) Mr. Yeung Chi Fai was appointed on 5 March 2021.

During the year ended 31 March 2021, no director waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: one) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2020: four) individuals are as follows:

|                                           | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Salaries, allowances and benefits in kind | 1,510            | 1,349            |
| Discretionary bonuses                     | 1,800            | 301              |
| Retirement scheme contributions           | 48               | 41               |
|                                           | <b>3,358</b>     | 1,691            |

The emoluments of the three (2020: four) individuals with the highest emoluments are within the following bands:

|                                | 2021<br>Number of<br>individuals | 2020<br>Number of<br>individuals |
|--------------------------------|----------------------------------|----------------------------------|
| HK\$Nil to HK\$1,000,000       | 2                                | 4                                |
| HK\$1,000,001 to HK\$2,000,000 | —                                | —                                |
| HK\$2,000,001 to HK\$3,000,000 | 1                                | —                                |

During the year ended 31 March 2021, no emoluments were paid by the Group to any of the individuals with highest emoluments of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

### 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$4,579,000 (2020: HK\$1,104,000) and the weighted average number of 400,000,000 (2020: 400,000,000) ordinary shares in issue during the year.

As the Company does not have any potential dilutive ordinary shares during the year ended 31 March 2021 and 2020, basic and diluted earnings per share are the same.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 10 SEGMENT REPORTING

### (A) SEGMENT REPORTING

The chief operating decision maker is identified as executive directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance. During the years, the executive directors have considered the only operating segment of the Group is rental and related services and trading of equipment and spare parts.

### (B) GEOGRAPHICAL INFORMATION

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets.

|           | 2021                                              |                                   | 2020                                              |                                   |
|-----------|---------------------------------------------------|-----------------------------------|---------------------------------------------------|-----------------------------------|
|           | Revenue<br>from external<br>customers<br>HK\$'000 | Non-current<br>assets<br>HK\$'000 | Revenue<br>from external<br>customers<br>HK\$'000 | Non-current<br>assets<br>HK\$'000 |
| Hong Kong | 47,617                                            | 106,183                           | 54,018                                            | 101,674                           |
| Thailand  | 252                                               | —                                 | 235                                               | —                                 |
| Macau     | 1,393                                             | —                                 | 88                                                | —                                 |
| Singapore | 3,088                                             | 7,183                             | 865                                               | 10,714                            |
| Others    | 15                                                | —                                 | 15                                                | —                                 |
|           | 52,365                                            | 113,366                           | 55,221                                            | 112,388                           |

### (C) MAJOR CUSTOMERS

Revenue from the major customers that accounted for 10% or more of the Group's total revenue is set out below:

|            | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|------------|------------------|------------------|
| Customer A | 21,591           | 31,869           |
| Customer B | 16,902           | 8,923            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 11 PROPERTY, PLANT AND EQUIPMENT

|                                 | Properties<br>leased for<br>own use<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Furniture<br>and<br>equipment<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|-------------------------------------------------|------------------------------------|-------------------------------|-------------------------------------------|-------------------|
| <b>Cost</b>                     |                                                 |                                    |                               |                                           |                   |
| At 1 April 2019                 | —                                               | 96,947                             | 5,240                         | 468                                       | 102,655           |
| Additions                       | 3,706                                           | 32,929                             | 694                           | 62                                        | 37,391            |
| Transferred to inventories      | —                                               | (1,494)                            | —                             | —                                         | (1,494)           |
| At 31 March 2020                | 3,706                                           | 128,382                            | 5,934                         | 530                                       | 138,552           |
| At 1 April 2020                 | 3,706                                           | 128,382                            | 5,934                         | 530                                       | 138,552           |
| Additions                       | —                                               | 21,625                             | 347                           | 12                                        | 21,984            |
| Disposals                       | —                                               | (20)                               | (1,343)                       | (12)                                      | (1,375)           |
| Written off                     | —                                               | —                                  | —                             | (194)                                     | (194)             |
| Transferred to inventories      | —                                               | (874)                              | —                             | —                                         | (874)             |
| At 31 March 2021                | 3,706                                           | 149,113                            | 4,938                         | 336                                       | 158,093           |
| <b>Accumulated depreciation</b> |                                                 |                                    |                               |                                           |                   |
| At 1 April 2019                 | —                                               | 18,161                             | 3,046                         | 313                                       | 21,520            |
| Charge for the year             | 463                                             | 10,955                             | 699                           | 58                                        | 12,175            |
| Transferred to inventories      | —                                               | (232)                              | —                             | —                                         | (232)             |
| At 31 March 2020                | 463                                             | 28,884                             | 3,745                         | 371                                       | 33,463            |
| At 1 April 2020                 | 463                                             | 28,884                             | 3,745                         | 371                                       | 33,463            |
| Charge for the year             | 1,853                                           | 13,499                             | 629                           | 61                                        | 16,042            |
| Write back on disposals         | —                                               | (16)                               | (788)                         | (3)                                       | (807)             |
| Written off                     | —                                               | —                                  | —                             | (194)                                     | (194)             |
| Transferred to inventories      | —                                               | (94)                               | —                             | —                                         | (94)              |
| At 31 March 2021                | 2,316                                           | 42,273                             | 3,586                         | 235                                       | 48,410            |
| <b>Net book value</b>           |                                                 |                                    |                               |                                           |                   |
| At 31 March 2021                | 1,390                                           | 106,840                            | 1,352                         | 101                                       | 109,683           |
| At 31 March 2020                | 3,243                                           | 99,498                             | 2,189                         | 159                                       | 105,089           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### (a) RIGHT-OF-USE ASSETS (INCLUDED IN THE PROPERTY, PLANT AND EQUIPMENT)

*The Group as lessee*

|                                                                     | Properties<br>leased for<br>own use<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------------------------------------|-------------------------------------------------|------------------------------------|-------------------|
| <b>As at 31 March 2020</b>                                          |                                                 |                                    |                   |
| Carrying amount                                                     | 3,243                                           | 26,084                             | 29,327            |
| <b>As at 31 March 2021</b>                                          |                                                 |                                    |                   |
| Carrying amount                                                     | 1,390                                           | 23,309                             | 24,699            |
| <b>For the year ended 31 March 2021</b>                             |                                                 |                                    |                   |
| Depreciation charge                                                 | 1,853                                           | 2,775                              | 4,628             |
| <b>For the year ended 31 March 2020</b>                             |                                                 |                                    |                   |
| Depreciation charge                                                 | 463                                             | 2,775                              | 3,238             |
|                                                                     |                                                 | <b>2021<br/>HK\$'000</b>           | 2020<br>HK\$'000  |
| Expense relating to short-term leases or leases of low-value assets |                                                 | <b>21</b>                          | 972               |
| Total cash outflow for leases                                       |                                                 | <b>7,564</b>                       | 6,096             |
| Additions to right-of-use assets                                    |                                                 | <b>—</b>                           | 3,706             |

Details of the maturity analysis of lease liabilities are set out in note 17.

During the year ended 31 March 2020, additions to right-of-use assets of HK\$3,706,000 were primarily related to the capitalised lease payments payable under new tenancy agreements in respect of certain properties as its storage and repairing workshops. The leases typically run for a period of 2 years. None of the leases includes variable lease payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### (b) MACHINERIES LEASED OUT UNDER OPERATING LEASES (INCLUDED IN THE PROPERTY, PLANT AND EQUIPMENT)

|                                 | HK\$'000 |
|---------------------------------|----------|
| <b>Cost</b>                     |          |
| At 1 April 2019                 | 20,098   |
| Additions                       | 25,406   |
| At 31 March 2020                | 45,504   |
| At 1 April 2020                 | 45,504   |
| Additions                       | 17,613   |
| At 31 March 2021                | 63,117   |
| <b>Accumulated depreciation</b> |          |
| At 1 April 2019                 | 533      |
| Charge for the year             | 2,541    |
| At 31 March 2020                | 3,074    |
| At 1 April 2020                 | 3,074    |
| Charge for the year             | 5,150    |
| At 31 March 2021                | 8,224    |
| <b>Net book value</b>           |          |
| At 31 March 2021                | 54,893   |
| At 31 March 2020                | 42,430   |

The Group leases out a number of items of machinery under operating leases. The leases typically run for a period of 1 to 2 years. None of the leases includes variable lease payments. Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are approximately HK\$12,629,000 in the next two years (2020: approximately HK\$9,684,000 in the next two years).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 12 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

|                        | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|------------------------|------------------|------------------|
| Inventories for resale | 185              | 1,192            |

### 13 TRADE RECEIVABLES

|                                   | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-----------------------------------|------------------|------------------|
| Trade receivables                 | 18,429           | 16,832           |
| Less: loss allowance (note 22(a)) | (4,428)          | (4,053)          |
|                                   | 14,001           | 12,779           |

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance for credit losses, is as follows:

|                                           | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Within 1 month                            | 4,185            | 4,892            |
| More than 1 month but less than 3 months  | 4,497            | 6,109            |
| More than 3 months but less than 6 months | 2,034            | 595              |
| More than 6 months but less than 1 year   | 2,958            | 855              |
| More than 1 year                          | 327              | 328              |
|                                           | 14,001           | 12,779           |

Further details on the Group's credit policy are set out in note 22(a).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 14 PREPAYMENTS AND DEPOSITS

|             | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------|------------------|------------------|
| Prepayments | 608              | 472              |
| Deposits    | 504              | 1,206            |
|             | <b>1,112</b>     | <b>1,678</b>     |

The amount of deposits expected to be recovered or recognised as expenses after more than one year is HK\$383,000 (2020: HK\$383,000). All of the other receivables are expected to be recovered or recognised as expenses within one year.

### 15 CONTRACT LIABILITIES

These represent billings in advance of performance under the sales contracts with customers.

|                                                                                                                            | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|----------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Balance at 1 April                                                                                                         | 1,826            | 2,683            |
| Increase in contract liabilities as a result of billing in advance of performance under sales contracts                    | —                | 3,500            |
| Decrease in contract liabilities as a result of recognising revenue in respect of the contract liabilities during the year | (1,826)          | (4,357)          |
| Balance at 31 March                                                                                                        | —                | 1,826            |

For the year ended 31 March 2020, the amount of billings in advance of performance expected to be recognised as revenue within one year is HK\$1,826,000.

### 16 TRADE AND OTHER PAYABLES

|                                     | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| Trade payables                      | 333              | 984              |
| Accrual expenses and other payables | 887              | 2,405            |
|                                     | <b>1,220</b>     | <b>3,389</b>     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 16 TRADE AND OTHER PAYABLES *(Continued)*

All trade and other payables are expected to be settled within one year.

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

|                                           | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Within 1 month                            | 5                | 2                |
| More than 1 month but less than 3 months  | 328              | 381              |
| More than 3 months but less than 6 months | —                | 508              |
| More than 1 year                          | —                | 93               |
|                                           | <b>333</b>       | <b>984</b>       |

### 17 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 2020 and 2021:

|                                      | 31 March 2021                                                    |                                             | 31 March 2020                                                    |                                             |
|--------------------------------------|------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------------|---------------------------------------------|
|                                      | Present<br>value of the<br>minimum lease<br>payments<br>HK\$'000 | Total minimum<br>lease payments<br>HK\$'000 | Present<br>value of the<br>minimum lease<br>payments<br>HK\$'000 | Total minimum<br>lease payments<br>HK\$'000 |
| Within 1 year                        | 3,282                                                            | 3,336                                       | 7,158                                                            | 7,563                                       |
| After 1 year but within 2 years      | —                                                                | —                                           | 3,282                                                            | 3,336                                       |
|                                      | <b>3,282</b>                                                     | <b>3,336</b>                                | <b>10,440</b>                                                    | <b>10,899</b>                               |
| Less: total future interest expenses |                                                                  | (54)                                        |                                                                  | (459)                                       |
| Present value of lease liabilities   |                                                                  | <b>3,282</b>                                |                                                                  | <b>10,440</b>                               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 18 DEFERRED TAX

### (A) DEFERRED TAX LIABILITIES RECOGNISED

The deferred tax liabilities arising from depreciation allowance being in excess of the related depreciation and the movements during the year are as follows:

|                                   | HK\$'000 |
|-----------------------------------|----------|
| At 1 April 2019                   | 9,446    |
| Charged to profit or loss         | 2,952    |
| At 31 March 2020 and 1 April 2020 | 12,398   |
| Charged to profit or loss         | 774      |
| At 31 March 2021                  | 13,172   |

### (B) DEFERRED TAX ASSETS/LIABILITIES NOT RECOGNISED

As at 31 March 2021, the Group has not recognised deferred tax assets in respect of cumulative tax losses approximately HK\$46,392,000 (2020: HK\$30,174,000) as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation. Other unrecognised temporary differences are not material.

## 19 RETIREMENT BENEFIT SCHEMES

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

## 20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 23 February 2017 for the purpose of providing incentives or rewards to eligible persons whom the board of directors (the "Board") considers, in its sole discretion, to have contributed or will contribute to the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 23 February 2017.

Under the Share Option Scheme, the Board may grant options to eligible persons, including directors of the Company and members of the Group, to subscribe for the shares of the Company. Eligible persons of the Share Option Scheme include, among others, any executive, any employee (including full-time or part-time employee), director (including non-executive and independent non-executive), shareholder of any member of the Group and an associate of any of the aforementioned persons (the "Eligible Persons").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Options granted shall be taken up upon payment of HK\$1.00 as consideration for the grant of option. The payment or remittance of HK\$1.00 shall be made within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options shall be granted under the Share Option Scheme at any time if such grant shall result in the scheme limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 40,000,000 shares (equivalent to 10% of the total number of shares in issue as at the date of passing the relevant resolution in general meeting). The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

Where any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5,000,000, such further grant of the options shall be subject to prior approval of the shareholders with such person and his associates abstaining from voting in favour at the general meeting.

Any grant of options to any director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme is subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who or whose associate is the grantee of an option).

The subscription price for the shares is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer (which must be a business day); (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

No share option under the Share Option Scheme was granted or outstanding during the years ended 31 March 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 21 SHARE CAPITAL, DIVIDENDS AND RESERVES

### (A) SHARE CAPITAL

|                                  | 2021                        |                    | 2020                        |                    |
|----------------------------------|-----------------------------|--------------------|-----------------------------|--------------------|
|                                  | Number of<br>shares<br>'000 | Amount<br>HK\$'000 | Number of<br>shares<br>'000 | Amount<br>HK\$'000 |
| Authorised:                      |                             |                    |                             |                    |
| Ordinary shares of HK\$0.01 each | 10,000,000                  | 100,000            | 10,000,000                  | 100,000            |
| Issued and fully paid:           |                             |                    |                             |                    |
| Ordinary shares of HK\$0.01 each | 400,000                     | 4,000              | 400,000                     | 4,000              |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### (B) DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2021 (2020: HK\$Nil).

### (C) NATURE AND PURPOSE OF RESERVES

#### (i) *Share premium*

The share premium represents the amount subscribed for share capital in excess of nominal value, less of share issuing costs. Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 21 SHARE CAPITAL, DIVIDENDS AND RESERVES *(Continued)*

### (C) NATURE AND PURPOSE OF RESERVES *(Continued)*

#### (ii) **Other reserve**

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

### (D) DISTRIBUTABILITY OF RESERVES

As at 31 March 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$53,905,000 (2020: HK\$57,091,000), being the aggregate of the share premium and accumulated losses of the Company.

### (E) CAPITAL MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity attributable to equity shareholders of the Company as capital. The amount of capital as at 31 March 2021 and 2020 amounted to approximately HK\$124,389,000 and HK\$119,810,000 respectively.

The Group's overall strategy remained unchanged during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (A) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group had a concentration of credit risk as 38% (2020: 50%) and 81% (2020: 94%) of total trade receivables due from the largest customer and five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past payment history, financial position and other factors. Trade receivables are due within 30 days from the billing date or based on the terms agreed in the sale and rental agreements.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2021:

|                                                     | Expected<br>loss rate<br>% | Gross<br>carrying<br>amount<br>HK\$'000 | Loss<br>allowance<br>HK\$'000 | Net<br>carrying<br>amount<br>HK\$'000 |
|-----------------------------------------------------|----------------------------|-----------------------------------------|-------------------------------|---------------------------------------|
| Current (not past due)                              | 0.14%                      | 4,191                                   | (6)                           | 4,185                                 |
| Less than 1 month past due                          | 0.26%                      | 4,252                                   | (11)                          | 4,241                                 |
| 1 to 3 months past due                              | 1.77%                      | 905                                     | (16)                          | 889                                   |
| 4 to 6 months past due                              | 3.35%                      | 2,001                                   | (67)                          | 1,934                                 |
| More than 6 months but less than<br>1 year past due | 7.22%                      | 2,756                                   | (199)                         | 2,557                                 |
| More than 1 year but less than<br>2 years past due  | 50.00%                     | 390                                     | (195)                         | 195                                   |
| More than 2 years past due                          | 100.00%                    | 3,934                                   | (3,934)                       | —                                     |
|                                                     |                            | 18,429                                  | (4,428)                       | 14,001                                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (A) CREDIT RISK *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2020:

|                                                     | Expected<br>loss rate<br>% | Gross<br>carrying<br>amount<br>HK\$'000 | Loss<br>allowance<br>HK\$'000 | Net<br>carrying<br>amount<br>HK\$'000 |
|-----------------------------------------------------|----------------------------|-----------------------------------------|-------------------------------|---------------------------------------|
| Current (not past due)                              | 0.04%                      | 4,894                                   | (2)                           | 4,892                                 |
| Less than 1 month past due                          | 0.08%                      | 6,081                                   | (5)                           | 6,076                                 |
| 1 to 3 months past due                              | 0.16%                      | 410                                     | (1)                           | 409                                   |
| 4 to 6 months past due                              | 0.32%                      | 438                                     | (1)                           | 437                                   |
| More than 6 months but less than<br>1 year past due | 0.63%                      | 648                                     | (4)                           | 644                                   |
| More than 1 year but less than<br>2 years past due  | 50.00%                     | 643                                     | (322)                         | 321                                   |
| More than 2 years past due                          | 100.00%                    | 3,718                                   | (3,718)                       | —                                     |
|                                                     |                            | 16,832                                  | (4,053)                       | 12,779                                |

Expected loss rates are based on actual loss experience in current year. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

#### ***Movement in loss allowance in respect of trade receivables:***

|                                              | HK\$'000 |
|----------------------------------------------|----------|
| Balance at 1 April 2019                      | 1,917    |
| Impairment losses recognised during the year | 2,136    |
| Balance at 31 March 2020 and 1 April 2020    | 4,053    |
| Impairment losses recognised during the year | 375      |
| Balance at 31 March 2021                     | 4,428    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (B) LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

|                          | 2021                        |                                                      |                                        |                                                    |
|--------------------------|-----------------------------|------------------------------------------------------|----------------------------------------|----------------------------------------------------|
|                          | Carrying amount<br>HK\$'000 | Total contractual undiscounted cash flow<br>HK\$'000 | Within 1 year or on demand<br>HK\$'000 | More than 1 year but less than 2 years<br>HK\$'000 |
| Trade and other payables | 1,220                       | 1,220                                                | 1,220                                  | —                                                  |
| Lease liabilities        | 3,282                       | 3,336                                                | 3,336                                  | —                                                  |
|                          | 4,502                       | 4,556                                                | 4,556                                  | —                                                  |

  

|                          | 2020                        |                                                      |                                        |                                                    |
|--------------------------|-----------------------------|------------------------------------------------------|----------------------------------------|----------------------------------------------------|
|                          | Carrying amount<br>HK\$'000 | Total contractual undiscounted cash flow<br>HK\$'000 | Within 1 year or on demand<br>HK\$'000 | More than 1 year but less than 2 years<br>HK\$'000 |
| Trade and other payables | 3,389                       | 3,389                                                | 3,389                                  | —                                                  |
| Lease liabilities        | 10,440                      | 10,899                                               | 7,563                                  | 3,336                                              |
|                          | 13,829                      | 14,288                                               | 10,952                                 | 3,336                                              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (C) INTEREST RATE RISK

The Group's interest rate risk arises primarily from bank deposits and lease liabilities. Borrowings issued at fixed rate and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

##### (i) *Interest rate profile*

The following table details the interest rate profile of the Group's interest-earning financial assets and interest-bearing financial liabilities at the end of the reporting period.

|                         | 2021                       |          | 2020                       |          |
|-------------------------|----------------------------|----------|----------------------------|----------|
|                         | Effective<br>interest rate | HK\$'000 | Effective<br>interest rate | HK\$'000 |
|                         | %                          |          | %                          |          |
| Fixed rate borrowings:  |                            |          |                            |          |
| Lease liabilities       | 5.25–6.19                  | (3,282)  | 5.25–6.19                  | (10,440) |
| Variable rate deposits: |                            |          |                            |          |
| Bank deposits           | 0.12–0.24                  | 13,796   | 0.15                       | 22,492   |
| Net deposits            |                            | 10,514   |                            | 12,052   |

##### (ii) *Sensitivity analysis*

As at 31 March 2021 and 2020, it is estimated that a general increase/decrease of 10 basis points in interest rates, with all other variables held constant, would have no significant impact on the Group's profit after tax and retained profits for the year.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 10 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (D) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Euro ("EUR") and United States dollars ("USD"). The Group does not hold or issue material derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the operations to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

|                                                             | 2021           |          | 2020           |          |
|-------------------------------------------------------------|----------------|----------|----------------|----------|
|                                                             | Denominated in |          | Denominated in |          |
|                                                             | EUR            | USD      | EUR            | USD      |
|                                                             | HK\$'000       | HK\$'000 | HK\$'000       | HK\$'000 |
| Deposits paid for purchase of property, plant and equipment | 2,343          | 1,340    | 3,497          | 3,802    |
| Trade and other receivables                                 | 120            | 1,137    | 217            | 617      |
| Cash and cash equivalents                                   | 1,660          | 3,208    | 5,436          | 1,319    |
| Contract liabilities                                        | —              | —        | (616)          | —        |
| Trade and other payables                                    | (256)          | —        | (842)          | —        |
| Net exposure                                                | 3,867          | 5,685    | 7,692          | 5,738    |

The following table indicates that the instantaneous change in the Group's profit after tax (and retained profits) that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (D) FOREIGN CURRENCY RISK *(Continued)*

|     | 2021                                                       |                                                                         | 2020                                                       |                                                                         |
|-----|------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------|
|     | Increase/<br>(decrease)<br>in foreign<br>exchange<br>rates | Effect on<br>profit after<br>tax and<br>retained<br>profits<br>HK\$'000 | Increase/<br>(decrease)<br>in foreign<br>exchange<br>rates | Effect on<br>profit after<br>tax and<br>retained<br>profits<br>HK\$'000 |
| EUR | 5%                                                         | 161                                                                     | 5%                                                         | 321                                                                     |
|     | (5%)                                                       | (161)                                                                   | (5%)                                                       | (321)                                                                   |
| USD | 5%                                                         | 237                                                                     | 5%                                                         | 240                                                                     |
|     | (5%)                                                       | (237)                                                                   | (5%)                                                       | (240)                                                                   |

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of the financial year and held constant throughout the year. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

A reasonable change in foreign exchange rates for EUR and USD in the next twelve months is assessed to result in immaterial change in the Group's profit after tax, retained profits and other components of equity.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions denominated in foreign currency. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

#### (E) CATEGORIES OF FINANCIAL INSTRUMENTS

|                                                  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--------------------------------------------------|------------------|------------------|
| <b>Financial assets</b>                          |                  |                  |
| Financial assets measured at amortised cost      | 28,180           | 35,655           |
| <b>Financial liabilities</b>                     |                  |                  |
| Financial liabilities measured at amortised cost | 4,502            | 13,829           |

#### (F) FAIR VALUE MEASUREMENT

The carrying amounts of financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 23 CASH FLOW INFORMATION

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

|                                                             | <b>Lease liabilities</b> |
|-------------------------------------------------------------|--------------------------|
|                                                             | HK\$'000                 |
|                                                             | (note 17)                |
| <b>At 1 April 2019</b>                                      | <u>13,638</u>            |
| <b>Changes from financing cash flows:</b>                   |                          |
| Capital element of lease rentals paid                       | (6,904)                  |
| Interest element of lease rentals paid                      | <u>(667)</u>             |
| Total changes from financing cash flows                     | <u>(7,571)</u>           |
| <b>Other changes:</b>                                       |                          |
| Increase in lease liabilities from entering into new leases | 3,706                    |
| Interest expenses (note 5(a))                               | <u>667</u>               |
| Total other changes                                         | <u>4,373</u>             |
| <b>At 31 March 2020 and 1 April 2020</b>                    | 10,440                   |
| <b>Changes from financing cash flows:</b>                   |                          |
| Capital element of lease rentals paid                       | (7,158)                  |
| Interest element of lease rentals paid                      | <u>(406)</u>             |
| Total changes from financing cash flows                     | <u>(7,564)</u>           |
| <b>Other changes:</b>                                       |                          |
| Interest expenses (note 5(a))                               | <u>406</u>               |
| Total other changes                                         | <u>406</u>               |
| <b>At 31 March 2021</b>                                     | <u>3,282</u>             |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 24 CONTINGENT LIABILITIES

As at 31 March 2021, the Company issued corporate guarantee to a subsidiary in respect of the plant and machinery under lease arrangement at 6.19% per annum (2020: 6.19%) with the carrying amount of approximately HK\$1,847,000 (2020: HK\$7,176,000).

### 25 COMMITMENTS

Capital commitments outstanding at 31 March 2020 and 2021 not provided for in the financial statements were as follows:

|                | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|----------------|------------------|------------------|
| Contracted for | 2,127            | 6,017            |

### 26 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

|                                           | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Salaries, allowances and benefits in kind | 4,028            | 3,625            |
| Retirement scheme contributions           | 54               | 66               |
|                                           | 4,082            | 3,691            |

Total remuneration is included in "staff costs" (see note 5(b)).

Save as disclosed above and elsewhere in these consolidated financial statements, the Group did not have any material related party transactions during the years ended 31 March 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 27 SUBSIDIARIES

Details of the subsidiaries as at 31 March 2021 and 2020 are as follows:

| Name of company                                       | Place of incorporation and registration | Particulars of issued and paid-up share capital/registered capital | Proportion of Group's ownership interest |      | Principal activities                                                                               |
|-------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------|------------------------------------------|------|----------------------------------------------------------------------------------------------------|
|                                                       |                                         |                                                                    | 2021                                     | 2020 |                                                                                                    |
| <b><i>Directly held by the Company</i></b>            |                                         |                                                                    |                                          |      |                                                                                                    |
| Trend Novel Limited                                   | BVI                                     | 1 share of US\$1                                                   | 100%                                     | 100% | Investment holding                                                                                 |
| Hengchuang Changyuan International Limited (note (a)) | BVI                                     | 10,000 shares of US\$1 each                                        | —                                        | 100% | Dormant                                                                                            |
| <b><i>Indirectly held by the Company</i></b>          |                                         |                                                                    |                                          |      |                                                                                                    |
| Hing Ming Gondola (HK) Company Limited                | Hong Kong                               | 6,000,000 shares (HK\$6,000,000)                                   | 100%                                     | 100% | Trading, installation and renting of suspended working platforms and other construction equipments |
| Hing Ming Equipment Company Limited                   | Hong Kong                               | 1 share (HK\$1)                                                    | 100%                                     | 100% | Construction consulting and project management                                                     |
| Hing Ming Construction Equipment Company Limited      | Hong Kong                               | 1 share (HK\$1)                                                    | 100%                                     | 100% | Construction consulting and project management                                                     |
| Hongkong Hengchuang Xiangrong Limited (note (b))      | Hong Kong                               | 10,000 shares (HK\$10,000)                                         | —                                        | 100% | Dormant                                                                                            |

Notes:

(a) Hengchuang Changyuan International Limited was deregistered on 21 April 2020.

(b) Hongkong Hengchuang Xiangrong Limited was deregistered on 6 April 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 28 FINANCIAL INFORMATION OF THE COMPANY (A) STATEMENT OF FINANCIAL POSITION

|                               | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| <b>Non-current assets</b>     |                  |                  |
| Investments in subsidiaries   | —                | 78               |
| <b>Current assets</b>         |                  |                  |
| Prepayments                   | 144              | 131              |
| Cash and cash equivalents     | 812              | 1,383            |
| Amounts due from subsidiaries | 59,986           | 62,828           |
|                               | 60,942           | 64,342           |
| <b>Current liabilities</b>    |                  |                  |
| Other payables                | 52               | 266              |
| Amounts due to subsidiaries   | 2,985            | 3,063            |
|                               | 3,037            | 3,329            |
| <b>Net current assets</b>     | 57,905           | 61,013           |
| <b>NET ASSETS</b>             | 57,905           | 61,091           |
| <b>CAPITAL AND RESERVES</b>   |                  |                  |
| Share capital                 | 4,000            | 4,000            |
| Reserves                      | 53,905           | 57,091           |
| <b>TOTAL EQUITY</b>           | 57,905           | 61,091           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 28 FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

(B) Details of changes in the Company's reserves during the year:

|                                                     | Share<br>premium<br>HK\$'000<br>(note 21(c)(i)) | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------------------------------|-------------------------------------------------|-----------------------------------|-------------------|
| <b>Balance at 1 April 2019</b>                      | 63,824                                          | (3,562)                           | 60,262            |
| Loss and total comprehensive loss for the year      | —                                               | (3,171)                           | (3,171)           |
| <b>Balance at 31 March 2020 and at 1 April 2020</b> | 63,824                                          | (6,733)                           | 57,091            |
| Loss and total comprehensive loss for the year      | —                                               | (3,186)                           | (3,186)           |
| <b>Balance at 31 March 2021</b>                     | 63,824                                          | (9,919)                           | 53,905            |

## 29 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

### (I) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### (II) LOSS ALLOWANCES FOR TRADE AND OTHER RECEIVABLES

The Group estimates the loss allowances for trade and other receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 29 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)* (III) INCOME TAX PROVISION

The Group is subject to Hong Kong income taxes. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2021

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2021 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

|                       |                                                                           |
|-----------------------|---------------------------------------------------------------------------|
| Amendment to HKFRS 16 | Covid-19 Related Rent Concessions <sup>1</sup>                            |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended use <sup>2</sup> |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework <sup>2</sup>                        |
| Amendments to HKAS 1  | Classification of Liabilities as Current or Non-current <sup>3</sup>      |

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

## 31 EVENT AFTER THE REPORTING PERIOD

On 7 May 2021, Hing Ming Equipment Company Limited, a wholly owned subsidiary of the Company, entered into an agreement with an individual independent third party for the acquisition of 4 units of tower cranes at a cash consideration of EUR1,300,000 (equivalent to HK\$12,170,600).

Further details are set out in the Company's announcement dated 7 May 2021.

## FIVE YEARS' FINANCIAL SUMMARY

|                                                       | 2021<br>HK\$'000 | 2020<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>RESULTS</b>                                        |                  |                  |                  |                  |                  |
| Revenue                                               | <b>52,365</b>    | 55,221           | 48,156           | 53,034           | 44,867           |
| Profit before taxation                                | <b>8,504</b>     | 6,750            | 9,604            | 18,504           | 5,612            |
| Income tax expense                                    | <b>(3,925)</b>   | (5,646)          | (3,279)          | (3,130)          | (2,800)          |
| Profit and total comprehensive income<br>for the year | <b>4,579</b>     | 1,104            | 6,325            | 15,374           | 2,812            |
| <b>ASSETS AND LIABILITIES</b>                         |                  |                  |                  |                  |                  |
| Total assets                                          | <b>142,460</b>   | 150,529          | 147,345          | 126,179          | 122,065          |
| Total liabilities                                     | <b>(18,071)</b>  | (30,719)         | (28,639)         | (12,963)         | (24,223)         |
|                                                       | <b>124,389</b>   | 119,810          | 118,706          | 113,216          | 97,842           |