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LUEN WONG GROUP HOLDINGS LIMITED

聯旺集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8217)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Luen Wong Group Holdings Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2022 together with the comparative figure. This announcement, containing the full text of the 2022 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 preliminary announcements of annual results. The printed version of the Company’s 2022 annual report will be despatched to the shareholders of the Company and available on the websites of the Company at (www.todayir.com/en/showcases.php?code=8217) and the Stock Exchange of Hong Kong Limited at (www.hkexnews.hk) in due course.

By order of the Board
Luen Wong Group Holdings Limited
Lau Wing Yu
Executive Director

Hong Kong, 23 June 2022

As at the date of this announcement, the executive Directors are Ms. Lau Wing Yu and Ms. Yu Xiao and the independent non-executive Directors are Mr. Wong Chi Kan, Ms. Lao In Iam and Mr. Liao Honghao.

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 in this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of GEM of the Stock Exchange’s website at www.hkgem.com for a minimum period of 7 days from the date of its posting and on the website of the Company at www.todayir.com/en/showcases.php?code=8217.



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2022

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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Luen Wong Group 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 (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the "Group"). 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of Directors and Senior Management	10
Corporate Governance Report	12
Environmental, Social and Governance Report	25
Directors' Report	37
Independent Auditor's Report	47
Consolidated Statement of Profit or Loss and Other Comprehensive Income	53
Consolidated Statement of Financial Position	54
Consolidated Statement of Changes in Equity	55
Consolidated Statement of Cash Flows	56
Notes to the Consolidated Financial Statements	58
Summary of Financial Information	120

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. So Kwok Hung (*Chairman*)
(resigned on 31 May 2022)
Ms. Yu Xiao
Ms. Lau Wing Yu (appointed on 31 May 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Kan
Ms. Lao In lam
Mr. Liao Honghao

COMPANY SECRETARY

Mr. So Pan

COMPLIANCE OFFICER

Mr. So Kwok Hung (resigned on 31 May 2022)
Ms. Lau Wing Yu (appointed on 31 May 2022)

AUDIT COMMITTEE

Mr. Wong Chi Kan (*Chairman*)
Ms. Lao In lam (Appointed on 18 August 2020)
Mr. Liao Honghao

REMUNERATION COMMITTEE

Mr. Wong Chi Kan (*Chairman*)
Mr. Liao Honghao
Ms. Yu Xiao

NOMINATION COMMITTEE

Mr. So Kwok Hung (*Chairman*)
(resigned on 31 May 2022)
Mr. Liao Honghao (appointed on 31 May 2022)
Mr. Wong Chi Kan
Ms. Lao In lam

AUTHORISED REPRESENTATIVES

Mr. So Kwok Hung (resigned on 31 May 2022)
Ms. Lau Wing Yu (appointed on 31 May 2022)
Mr. So Pan

REGISTERED OFFICE

P. O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2202, 22/F, Causeway Bay Plaza I
489 Hennessy Road
Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suite 3301-4
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

AUDITORS

Elite Partners CPA Limited

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.todayir.com/en/showcases.php?code=8217

STOCK CODE

8217

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Luen Wong Group Holdings Limited (the "Company"), it is my pleasure to present the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2022 (the "Reporting Period").

A YEAR IN REVIEW

The shares of the Company (the "Shares") were successfully listed on GEM of the Stock Exchange on 12 April 2016 (the "Listing") by way of placing (the "Placing"). The Listing has enhanced the Group's profile and recognition and assist us in reinforcing our brand awareness and image. The net proceeds raised have also strengthened the Group's operational capacity.

The total revenue of the Group decreased by approximately HK\$75,546,000 from approximately HK\$168,300,000 for the year ended 31 March 2021 to approximately HK\$92,754,000 for the Reporting Period. Such decrease was mainly due to few large construction projects reaching completion stage and the construction industry in Hong Kong has been negatively impact by the continuous outbreak of COVID-19 which cause some construction sites were closed temporarily to prevent construction workers from being infected by the contagious disease.

OUTLOOK

In the 2022-23 Budget Speech, the Government reiterated its commitment to infrastructure and announced the average annual capital works expenditure will exceed HK\$100 billion from 2023 to 2027. While the recurrent government expenditure is expected to drop by 1.8% in 2023-24, it will subsequently grow at a rate between 4.1% and 4.6% per annum. However, challenges like delaying in budget approval due to filibustering, delaying in progress due to the outbreak of COVID-19 and shortage of manpower will continue to strike the civil engineering industry.

As to the Group, we are confident with the prospects of the Group for the next few years as we have recently secured few projects. These projects could ensure sustainability of the Group and increase employees' loyalty towards the Group.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to thank our management and staff for their continued loyalty, diligence and contributions throughout the year. I would also like to express my sincere gratitude to our shareholders, business partners, customers, suppliers and subcontractors for their continued support to the Group.

Luen Wong Group Holdings Limited

Yu Xiao

Executive Director

Hong Kong, 23 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has over 22 years of experience in providing civil engineering works as a subcontractor in Hong Kong. The civil engineering works undertaken by the Group are mainly related to (i) roads and drainage works (including construction and improvement of local road, carriageway with junction improvement and the associated footpaths, planting areas, drains, sewers, water mains and utilities diversion); (ii) structural works (including construction of reinforced concrete structures for bridges and retaining walls); (iii) site formation works (including excavation and/or filling works for forming a new site or achieving designed formation level for later development); and (iv) decoration and renovation works.

OUTLOOK

2023 is expected to be full of opportunities and challenges. The planned commitment in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. Whilst factors including but not limited to difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers and other unforeseen problems or circumstances that occur during project implementation continue being threats that likely affect the Group's profit as a subcontractor.

Looking forward, the Group will continue to strengthen the competitive edge of the Group over the competitors in the civil engineering industry and at the same time carefully evaluate each projects and control the Group's overall costs to a reasonable level; which in turn is expected to increase shareholders' return. Besides, in order to increase shareholders' return, the Group will put efforts to evaluate the feasibility of obtaining necessary licenses to carry out civil engineering works and related operations in other countries, such as Japan and Thailand.

SIGNIFICANT INVESTMENT

Financial asset at FVTPL Significant Investments	For the year ended 31 March 2022	As at 31 March 2022			As at 1 April 2021
	Realised and unrealised gain HK\$'000	Number of shares held '000	Fair value HK\$'000	Approximately percentage to the total asset	Fair value HK\$'000
WLS Holdings Limited ("WLS")	4,580	381,660	18,701	13.0%	14,121
Other listed equity securities (note 1)			<u>17,798</u>	<u>12.3%</u>	<u>18,012</u>
Total			<u>36,499</u>	<u>25.3%</u>	<u>32,133</u>

Note:

- As at 31 March 2022, other listed equity securities comprised 9 listed equity securities in Hong Kong. None of the other listed equity securities was more than 5% of the total assets of the Group as at 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

WLS is principally engaged in provision of scaffolding and fitting out services and other services for construction and buildings work, provision of gondolas, parapet railings and access equipment installation and maintenance services, money lending business, securities investment business, and assets management business. Based on WLS's third quarterly report for the nine months ended 31 January 2022, revenue and profit before tax of WLS was approximately HK\$154.7 million and HK\$27.5 million respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

FINANCIAL REVIEW

Revenue

All of the Group's revenue was generated from the provision of civil engineering works and provision of decoration and renovation works. The total revenue of the Group decreased by approximately HK\$75,546,000 from approximately HK\$168,300,000 for the year ended 31 March 2021 to approximately HK\$92,754,000 for the Reporting Period. Such decrease was mainly due to some large construction projects reaching completion stage and the construction industry in Hong Kong has been negatively impact by the outbreak of COVID-19 which cause some construction sites were closed temporarily to prevent construction workers from being infected by the contagious disease. As at 31 March 2021, we had 7 contracts on hand with a total contract sum of approximately HK\$477,142,000 whilst as at 31 March 2022, we had 14 contracts on hand with a total contract sum of approximately HK\$478,915,000.

Gross Profit and Gross Profit Margin

The Group's gross result turnaround from gross loss of approximately HK\$2,283,000 for the year ended 31 March 2021 to gross profit of approximately HK\$1,043,000 for the Reporting Period. Such turnaround was mainly due to the gross loss incurred by some large construction projects reaching completion stage which net off with gross profit generated by new projects during the Reporting Period.

Our gross profit margin varied substantially from project to project and is mainly attributable to our pricing, which is determined based on a cost-plus pricing model in general with mark-up determined on a project-by-project basis and such mark-up is determined based on the following factors:

Contract value of the project

We would normally set a tender price based on a relatively lower mark-up for projects with a larger contract value due to the larger absolute amounts of revenue and gross profit (being the contract sum less the expected costs of sales) expected to be derived from a project with a larger contract value.

Nature and complexity of civil engineering works

When preparing our tender price, we consider, among other factors, (i) the amount of project management; (ii) the level of difficulty; (iii) the amount of uncertainties; (iv) the types and amount of works to be performed using different techniques; (v) the types and amount of resources such as labour skills, construction materials and supplies and site equipment; and (vi) the quality, safety and environmental standards. We would also take into account the likelihood of any material deviation of actual costs from our estimated costs having regard to the estimated subcontracting charges, staff costs, construction materials and supplies costs, rental of site equipment costs and other costs of sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Competition

The level of competition for each construction project is subject to factors beyond our control, including, among others, the number of contractors invited to bid for the construction project, our competitors' capacity and the nature and complexity of the works involved. If the level of competition of a particular construction project is low or if our competitors' tender prices are relatively high, which is due to their own commercial decisions, we may be able awarded the construction project even if our tender price is not particularly competitive.

Cost control

While we may obtain preliminary quotations from our subcontractors when preparing our tender prices, the final agreed prices with our subcontractors are subject to further negotiations after we are successfully awarded with a tender and after we obtain more specific information regarding the works and the site conditions. Such further negotiations with our subcontractors may result in higher or lower gross profit margins.

We enter into contra charge arrangements with some of our customers for, among others, the purchase of construction materials and supplies and site equipment rental and hence any increase in these costs are borne by our customers. The prices of construction materials and supplies and site equipment rental and other costs of sales that are not covered by contra charge arrangements are determined by reference to quotations of suppliers as agreed by us and our suppliers on an order-by-order basis. While we price in the estimated future price trend of these costs of sales when preparing our tender proposals, material deviation of the actual costs from our estimated costs may arise, which would result in higher or lower gross profit margins.

Due to, among others, the factors stated above, our gross profit margin varied substantially from project to project.

Other Income

Other income of the Group decreased by approximately HK\$7,915,000 from approximately HK\$8,034,000 for the year ended 31 March 2021 to approximately HK\$119,000 for the Reporting Period. The decrease was mainly due to government grants of approximately HK\$6,413,000 in relation to the Employment Support Scheme provided by the Hong Kong government during the year ended 31 March 2021.

Other Gains or Losses

Other gains or losses of the Group turnaround to gain of HK\$1,574,000 for the Reporting Period from loss of approximately HK\$5,214,000 for the year ended 31 March 2021. The gain mainly consist of the unrealised gain of financial assets at fair value through profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment loss recognised under expected credit loss model, net of reversal

In determining the expected credit loss of the trade receivables, the Group has engaged a professional valuer to assist in estimating the loss allowances under the expected credit loss model in accordance with Hong Kong Financial Reporting Standard. Valuer has assessed their recoverability by reference to (i) details and status of the receivables as at the assessment date; (ii) historical defaults of the debtors of the Company; (iii) other information such as working relationship between the Company and the debtors, repayment track records of the debtors, and repayment progress of the receivables as advised by the management; (iv) industry and economic data; and (v) data concerning the fixed income and equity securities markets from Moody's. Except for the work performed by professional valuer, the Company also closely liaise with those debtors for the payment schedule and consider the reputation of those debtors and overall market condition. Based on the abovementioned assessments, the directors of the Company considered that the loss allowances are adequate.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group increased by approximately HK\$1,962,000 or 22.6% from approximately HK\$8,667,000 for the year ended 31 March 2021 to approximately HK\$10,629,000 for the Reporting Period. Administrative and other operating expenses consists primarily of staff costs, depreciation, rental expenses and other administrative expenses. The decrease was mainly due to the decrease in depreciation, staff costs and share-based payment expenses.

Finance Costs

Finance costs for the Group increased by approximately HK\$464,000 from approximately HK\$269,000 for the year ended 31 March 2021 to approximately HK\$733,000 for the Reporting Period.

Income Tax Credit

Income tax credit for the Group had decreased from income tax credit of approximately HK\$2,380,000 for the year ended 31 March 2021 to income tax credit of approximately HK\$61,000 for the Reporting Period. Such decrease was mainly due to the decrease in recognition of deferred tax liabilities arising from excess of net book values of property, plant and equipment over tax values.

Loss for the year

Loss for the year increased by approximately HK\$7,017,000 from approximately HK\$13,130,000 for the year ended 31 March 2021 to approximately HK\$20,147,000 for the Reporting Period. Such increase was primarily attributable to the net effect of the decrease in revenue, increase in administrative and other operating expenses for the Reporting Period as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and bank balances are denominated in Hong Kong dollar. The current ratio of the Group as at 31 March 2022 increased to approximately 1.7 times as compared to that of approximately 1.3 times as at 31 March 2021.

The total interest bearing debts of the Group, including bond payables and lease liabilities, increased from approximately HK\$12,411,000 as at 31 March 2021 to approximately HK\$12,155,000 as at 31 March 2022. All borrowings are denominated in Hong Kong dollar and are repayable within 5 years. The Group did not carry out any hedging for its floating borrowings.

As at 31 March 2022 and 2021, the Group had no general banking facilities. As at 31 March 2022, the Group had lease liabilities of approximately HK\$155,000 (31 March 2021: approximately HK\$411,000).

The gearing ratio, calculated based on all interest-bearing borrowings and lease liabilities divided by total equity at the end of the period and multiplied by 100%, stood at approximately 20% as at 31 March 2022 (31 March 2021: approximately 50%). With available bank balances and cash, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The Shares were successfully listed on GEM of the Stock Exchange on 12 April 2016. Except for placing of new shares which completed in September 2020, there has been no change in the capital structure of the Group during the Reporting Period. As at 31 March 2022, the Company's issued and fully paid capital and total equity attributable to owners of the Company amounted to approximately HK\$48,297,600 and HK\$60,513,000 respectively.

USE OF PROCEEDS

Placing

On 28 October 2021, the Company completed the rights issue on the basis of two (2) rights shares for every one (1) consolidated share and issued 201,240,000 ordinary shares at the price of HK\$0.26 per shares. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the right issue amounted to approximately HK\$50.8 million. The Company intended to use HK\$39.9 million for the repayment of an amount due to the former shareholder, and the remaining HK\$10.9 million for acquiring surety bond for the new projects of the Group. As at 31 March 2022, the net proceeds were fully utilized as intended.

COMMITMENTS

As at 31 March 2022, there was no capital commitment for the Group (31 March 2021: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any material contingent liabilities (31 March 2021: HK\$Nil).

ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not carry out any material acquisitions nor disposals of subsidiaries and affiliated companies for the Reporting Period.

Save as disclosed in this annual report, the Group did not have other plans for material investments or capital assets as at 31 March 2022.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. Since United States dollars is linked to Hong Kong dollars at the rate of United States dollars 1 to Hong Kong dollars 7.80, the Directors therefore consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OVER GROUP'S ASSETS

The total interest bearing debts of the Group, including bond payables and lease liabilities amounted to approximately HK\$12,155,000 as at 31 March 2022 (2021: HK\$12,411,000).

As at 31 March 2022 and 2021, the Group had no general banking facilities. As at 31 March 2022, the Group had lease liabilities of approximately HK\$155,000 (31 March 2021: approximately HK\$411,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group had approximately 43 employees (31 March 2021: 67 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK\$24,367,000 for the Reporting Period (31 March 2021: approximately HK\$40,294,000). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to the Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, we offer other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (2021: HK\$Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. SO Kwok Hung (蘇國雄先生), aged 40, has over 15 years of working experience in the building and construction field. He has participated in the overall management and supervision of certain sizeable construction projects in Hong Kong. Mr. So was appointed as executive director on 16 November 2017.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Ms. YU Xiao (余曉女士), aged 41, has over 10 years of working experience in the civil engineering and construction field in real property. She has participated in the overall management and supervision of certain sizeable construction projects including design, build, supervise and maintain construction projects and systems. Prior to joining the Group, Ms. Yu worked as an architect and engineer in Department of Civil Engineering in Hunan Hechingyuan Construction Engineering Company. Ms. Yu graduated from the College of Civil Engineering, Hunan University in June 2000 with a bachelor degree in civil engineering. Ms. Yu was appointed as executive director on 16 November 2017.

Save as disclosed above, she was not a director in any other listed companies for the last three preceding years.

Ms. LAU Wing Yu (劉詠愉女士), aged 28, have 8 years of management and working experience in building design and construction industry. She received a Bachelor of Arts in hospitality and service management from Edinburgh Napier University. She worked as chief designer in a Hong Kong construction company since 2019. She is experienced in financial management, construction, building and project management.

Save as disclosed above, she was not a director in any other listed companies for the last three preceding years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Kan (黃智瑾先生), aged 36, is an independent non-executive Director. He has over 7 years of experience in auditing and accounting. He has served as financial controller in a private company primarily responsible for the financial and accounting matters, since June 2017. From March 2016 to June 2017, he worked as an assistant financial controller in a company principally engaged in provision of financial public relations services. He worked as an accounting manager in a company listed on GEM of the Stock Exchange which principally engaged in sale of biodegradable food containers and disposable industrial packaging for consumer products between March 2015 and March 2016. He served for certain sizeable CPA firms in Hong Kong from November 2010 to February 2015. Mr. Wong obtained a Bachelor of Commerce degree and a master's degree in Professional Accounting from the University of New South Wales in May 2009 and August 2010 respectively. He is also a fellow member of the Certified Practising Accountants Australia since March 2014 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Wong was appointed as independent non-executive director on 12 April 2016.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LIAO HongHao (廖洪浩先生), aged 62, is an independent non-executive Director. He is currently a general manager of the marketing department of a company incorporated in the People's Republic of China (the "PRC"), which engaged in publishing business in the PRC. He graduated in Meizhou Radio & TV University and he has more than 30 years' experience in business strategic planning and marketing. Mr. Liao was appointed as independent non-executive director on 2 March 2018.

Save as disclosed above he was not a director in any other listed companies for the last three preceding years.

Ms. LAO In lam (劉燕欽女士), aged 49, has engaged in the building and construction industry for over 20 years. She has extensive experience in building and construction project management and has participated in the overall management and supervision of certain sizeable construction projects in Macau. Ms. Lao was appointed as independent non-executive director on 18 August 2020.

Save as disclosed above, she was not a director in any other listed companies for the last three preceding years.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rules 17.50(2) of the GEM Listing Rules as at the date of this report.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the Reporting Period.

The Directors and the management of the Group recognise the significance of sound corporate governance to the long-term and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 15 of the GEM Listing Rules. During the period from the Listing Date to the Reporting Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code except the following deviations:

Code provision A.6.7 of the Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Director, Mr. Liao Honghao, was unable to attend the annual general meeting and extraordinary general meeting of the Company held on 31 August 2021 and 9 September 2021 respectively. For deviations from code provision A.6.7 and E.1.2 of the Code, the Company Secretary had reminded the chairman and the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

BOARD OF DIRECTORS

Responsibilities of the Board

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

Corporate Governance Functions

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

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

CORPORATE GOVERNANCE REPORT

- (e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

Composition of the Board

Up to the date of this report, the Board comprise five Directors, including two executive Directors and three independent non-executive Directors (the "INEDs"). In particular, the composition of the Board is set out as follow:

Executive Directors

Mr. So Kwok Hung (resigned on 31 May 2022)

Ms. Yu Xiao

Ms. Lau Wing Yu (appointed on 31 May 2022)

INEDs

Mr. Wong Chi Kan

Mr. Liao HongHao

Ms. Lao In lam

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Board Nomination Policy

The Company adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

CORPORATE GOVERNANCE REPORT

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

Relationships between members of the Board

The Directors have no financial, business, family or other material or relevant relationship with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established to ensure a balance of power and authority.

During the year, Mr. So Kwok Hung serves as the Chairman of the Company and is responsible for overall business development strategy and overall management and major business decisions of the Group.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting.

During the Reporting Period, nine board meetings were held and the attendance records are as follows:

Name of Director	Meetings attended/ Eligible to attend
Executive Directors	
Mr. So Kwok Hung (resigned on 31 May 2022)	9/9
Ms. Yu Xiao	9/9
Ms. Lau Wing Yu (appointed on 31 May 2022)	0/0
INEDs	
Mr. Wong Chi Kan	9/9
Mr. Liao Honghao	9/9
Ms. Lao In lam	9/9

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct from the Listing Date up to the date of this report.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has established its nomination committee. The nomination committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group. Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the Director giving to the other not less than three months' notice in writing in accordance with the terms of the agreement. Each INEDs was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

CORPORATE GOVERNANCE REPORT

In accordance with Article 108(a) of the Articles of Association of the Company, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Ms. Lao In lam and Mr. Wong Chi Kan will retire from office as Directors at the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-election.

In accordance with Article 112 of the Articles of Association of the Company, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Ms. Lau Wing Yu will retire from office as Director at the AGM, and being eligible, offer herself for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of continuing professional development for the Directors for better corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the CG Code, the Group has provided funding to all Directors to participate in continuous professional development organised in the form of in-house training and seminars to keep them refreshed of their knowledge and skills and understanding of the Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the GEM Listing Rules and corporate governance practices.

Pursuant to the code provision A.6.5 of the CG Code, during the Reporting Period, all Directors had participated in continuous professional development in the following manner:

Directors	Reading materials regarding regulatory update and corporate governance matters	Attending in-house training/seminars arranged by the professional organisations
Executive Directors		
Mr. So Kwok Hung (resigned on 31 May 2022)	✓	✓
Ms. Yu Xiao	✓	✓
Ms. Lau Wing Yu (appointed on 31 May 2022)	N/A	N/A
INEDs		
Mr. Wong Chi Kan	✓	✓
Mr. Liao Honghao	✓	✓
Ms. Lao In lam	✓	✓

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Group has established three committees, namely audit committee, remuneration committee and nomination committee in compliance with the GEM Listing Rules and to assist the Board to discharge its duties. The relevant terms of reference of each of the three committees can be found on the Group's website (www.todayir.com/en/showcases.php?code=8217) and the website of the Stock Exchange.

AUDIT COMMITTEE

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely Mr. Wong Chi Kan, Ms. Lao In lam and Mr. Liao Honghao, all being INEDs. Mr. Wong Chi Kan currently serves as the chairman of the audit committee.

The committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

With reference to the terms of reference, the primary responsibilities of the audit committee, among others, are as follow:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to develop and implement policy on engaging an external auditors to supply non-audit services;
- (d) to monitor the integrity of financial statements and the annual report and accounts, half year report and quarterly reports, and to review significant financial reporting judgments contained in them;
- (e) to discuss the internal control system with management of the Group to ensure that the management of the Group has performed its duty to have an effective internal control system; and
- (f) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board and monitor the Group's policies and practices on compliance with legal and regulatory requirements.

CORPORATE GOVERNANCE REPORT

The members of the audit committee should meet at least four times a year. The individual attendance record of each member of the audit committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Wong Chi Kan (<i>Chairman</i>)	4/4
Mr. Liao Honghao	4/4
Ms. Lao In lam	4/4

During the Reporting Period, the audit committee had reviewed the Group's unaudited first quarterly results for the three months ended 30 June 2021, unaudited interim results for the six months ended 30 September 2021 and the unaudited third quarterly results for the nine months ended 31 December 2021, and discussed about the internal controls and financial reporting matters of the Group. The audit committee had also reviewed audited annual results in respect of the year ended 31 March 2022, and confirmed that this report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditors during the year ended 31 March 2022.

The Board is of the view that the audit committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

REMUNERATION COMMITTEE

A remuneration committee has been established with its terms of reference in compliance with paragraph B.1.2 of the CG Code. The remuneration committee consists of three members, namely Mr. Wong Chi Kan, Mr. Liao Honghao and Ms. Yu Xiao. Mr. Wong Chi Kan currently serves as the chairman of the remuneration committee.

The remuneration committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of remuneration committee, the primary duties, among others, are as follow:

- (a) to formulate remuneration policy for the approval of the Board;
- (b) to make recommendations to the Board on the Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

CORPORATE GOVERNANCE REPORT

- (d) to determine, with delegated responsibility or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group;
- (e) to make recommendations to the Board on the remuneration of non-executive Directors;
- (f) to review and approve compensation payable to executive Directors and senior management of the Group for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to consider the performance bonus for executive Directors, senior management and general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendations to the Board.

The members of the remuneration committee should meet at least once a year. The individual attendance record of each member of the remuneration committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Wong Chi Kan (<i>Chairman</i>)	2/2
Mr. Liao Honghao	2/2
Ms. Yu Xiao	2/2

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the remuneration committee. Details of the Directors' emolument are set out in note 15 to the consolidated financial statements.

The Board is of the view that the remuneration committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

NOMINATION COMMITTEE

A nomination committee has been established with its terms of reference in compliance with paragraph A.5.2 of the CG Code. The nomination committee of the Group comprises Mr. Mr. Liao Honghao, the executive Director and Chairman, Mr. Wong Chi Kan and Ms. Lao In lam, the INEDs. Mr. Liao Honghao currently serves as the chairman of the nomination committee.

CORPORATE GOVERNANCE REPORT

The nomination committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of nomination committee, the primary duties, among others, are as follow:

- (a) to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;
- (b) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy;
- (c) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (d) to receive nominations from Shareholders or Directors when such are tendered and to make recommendations to the Board on the candidacy of the nominees, having regard to the Board's compositional requirements and suitability of the nominees;
- (e) to assess the independence of INEDs and review the INEDs' confirmations on their independence; and make disclosure of its review results in the corporate governance report;
- (f) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Group; and
- (g) regularly review the contribution required from a Director to perform his/her responsibilities to the Group, and whether he/she is spending sufficient time performing them.

The members of the nomination committee should meet at least once a year. The individual attendance record of each member of the nomination committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. So Kwok Hung (<i>Chairman</i>) (resigned on 31 May 2022)	2/2
Mr. Liao Honghao (appointed as Chairman on 31 May 2022)	0/0
Mr. Wong Chi Kan	2/2
Ms. Lao In lam	2/2

The Board is of the view that the nomination committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed.

For the Reporting Period, the remuneration paid or payable to the external auditors of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fees paid/payable for services rendered	
	2022	2021
	HK\$'000	HK\$'000
Statutory audit services	399	417
Non-audit services	102	51

COMPANY SECRETARY

During the Reporting Period, Mr. So Pan has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Ms. Lau Wing Yu, an executive Director of the Company, was appointed as the compliance officer of the Company on 31 May 2022. Please refer to the section "Biographical Details of Directors and Senior Management" for her biographical information.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

CORPORATE GOVERNANCE REPORT

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.
2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.
3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The risk management framework, coupled with our internal controls, ensures the risk associated with our different business units are effectively controlled in line with the Group's risk appetite.

The Group does not have an internal audit department. The Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

The Group engaged an external consultant for internal control to conduct an annual review on the risk management and internal control system of the Group during the year. The review covers certain procedures on the civil engineering works undertaken by the Group, and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

The Group's 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.

With respect to the monitoring and disclosure of insider information, the Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 March 2022, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditors, Elite Partners CPA Limited, about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 47 to 52 of this report.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

The following procedures for the Shareholders to convene an extraordinary general meeting are subject to the Article 64 of the Articles of Association of the Company, and the applicable legislation and regulation, in particular the GEM Listing Rules:

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may also use this same method to put forward proposals for the general meeting.

DIVIDEND POLICY

The Company adopted a policy on payment of dividends (the "Dividend Policy") in March 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend on a number of factors, including but not limited to:

- (i) the Group's actual and expected financial performance;
- (ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (iii) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (iv) the Group's liquidity position;
- (v) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (vi) any other factors that the Board deems relevant.

CORPORATE GOVERNANCE REPORT

The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring interim dividends from time to time.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this report).

Should there are any enquiries and concerns from Shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit 2202, 22/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong, by post for the attention of the Board and/or the Company Secretary. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Investor Relations

The Company has established a range of communication channels between itself and its Shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.todayir.com/en/showcases.php?code=8217 and meetings with investors and Shareholders. News update of the Group's business development and operation are also available on the Company's website.

Significant Changes in Constitutional Documents

Save for the adoption of the amended and restated Memorandum and Articles of Association of the Company for the purpose of the listing of the Shares on GEM of the Stock Exchange, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Luen Wong Group Holdings Limited and its subsidiaries (collectively referred to as the “Group”) specialize in the provision of civil engineering works as a subcontractor in Hong Kong in relation to roads and drainage works, structural works, site formation works and decoration and renovation works.

ABOUT THIS REPORT

The Group is pleased to present its Environmental, Social and Governance (“ESG”) Report (the “Report”) for the year ended 31 March 2022 (the “year”). This Report provides an annual update of the Group’s sustainability performances, achievements and challenges over the year. Major operating subsidiaries of the Group, namely Luen Hing Construction and Eng. Limited and Mullen Building Limited are covered in this Report. Unless otherwise indicated, the Report covers Luen Wong Group Holdings Limited and its subsidiaries.

The Report is in compliance with the Environmental, Social and Governance Reporting Guide in Appendix 20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX ESG Reporting Guide”).

ESG GOVERNANCE

The Group commits to fully integrating corporate social and environmental well-being into various aspects of the daily operations of the business. To achieve sustainable development, the Group also promotes environmental protection, makes positive contributions and creates long-term value in the communities. During the year under review, the Group committed to a high standard of corporate social responsibility and strictly complied with the requirements of relevant laws and regulations on ESG reporting.

To effectively drive the Group’s ESG progress, the Board of Directors (the “Board”) shoulders the responsibility of supervising the Group’s ESG governance by determining the Group’s ESG strategies and reviewing the content and quality of the ESG report annually. To maintain excellent ESG governance, the Board delegates authority to the management for the formulation and execution of ESG policies and measures.

The Group has identified the ESG aspects which are “relevant” and “important” to our operations by conducting a materiality assessment. The results show that employment, health and safety, labour standards, supply chain management, product responsibility and community investment are our main material topics. The Group will continue to identify areas of improvement for the concerned areas and keep our communication with the stakeholders to advance the Group’s ESG management.

ENVIRONMENTAL ASPECTS

Environmental responsibility forms an important part of our corporate social responsibility. To honour our commitment to the environment, the Group is committed to conducting its business in an environmentally responsible manner, such as improving our environmental practices through minimising pollution, increasing energy efficiency and reducing waste in our daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions

In Hong Kong, the Air Pollution Control Ordinance is the principal legislation for controlling the emissions of air pollutants and noxious odour from construction, industrial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licenses and permits. The Group is fully committed to complying with the Air Pollution Control Ordinance and its subsidiary regulations.

As a responsible corporation, we have established policies and measures to continuously promote energy-saving and emission reduction. In addition to carbon emissions and energy consumption, the Group has also established best practices guidelines concerning air pollution, water pollution, noise, and general and construction waste from head offices to project sites. To enhance staff's environmental awareness for reducing energy consumption and carbon emissions, we have implemented several eco-friendly actions, such as paperless meetings, reusing envelopes, and switching off lighting and appliances in offices after working hours, etc. Regular maintenance of the construction plants and equipment is conducted to further improve the fuel efficiency.

Being a responsible contractor, we apply good construction site management by devising methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment and provide our experienced staff with suitable training to ensure that these methods are implemented. Control measures, such as water sprays, dust curtains and covers, are applied to suppress dust from excavation and during transportation.

For the year ended 31 March 2022, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and greenhouse gas emissions, noise control, discharges into water and onto the land, or generation of hazardous and non-hazardous waste.

Air and Greenhouse Gas Emissions

The Group has generated air emissions through the fuel combustion of the vehicles.

The sources of the Group's greenhouse gas emissions are the fuel consumption of stationary equipment and mobile vehicles ("Scope 1 emissions"), and energy indirect emissions resulting from the generation of purchased electricity ("Scope 2 emissions"). The greenhouse gases emitted from the paper waste disposed at landfills and water and sewage processing contribute to Scope 3 emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the year ended 31 March 2022, the total amount of greenhouse gas emissions was about 749.8 tonnes of carbon dioxide-equivalent; and the greenhouse gas intensity was 8.08 tonnes of carbon dioxide-equivalent per million HKD revenue. The air and greenhouse gas emission data are as follows:

	2022	2021	Unit
Air emissions			
Sulphur oxides (SO _x)	1.96	1.50	kg
Greenhouse gas emissions			
Scope 1 emissions	745.9	1,247.0	tonnes CO ₂ -e
Scope 2 emissions	3.7	7.4	tonnes CO ₂ -e
Scope 3 emissions	0.1	–	tonnes CO ₂ -e
Total greenhouse gas emissions	749.8	1,254.4	tonnes CO ₂ -e
Intensity (by revenue)	8.08	7.45	tonnes CO ₂ -e/ million HKD revenue

Waste Management

With the enactment of the Construction Waste Disposal Charging Scheme through the Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong), we have opened billing accounts with the Environmental Protection Department for repayment of service charges. We are committed to disposing only at legitimate disposal facilities, or through licensed collectors to collect and dispose of our wastes. Reusable materials are encouraged to be applied at the site to reduce material consumption, such as the use of wood.

Environmental protection policies and plans have been set up for different projects. In effort to identify and resolve any non-compliance as soon as possible, we conduct periodic construction work inspections at sites with high environmental risks, covering dust control, and disposal of sewage and construction waste. The Group also provides experienced personnel with adequate training to ensure strict implementation of such measures.

Emissions discharged by the Group in the course of operation were primarily carbon dioxide, and non-hazardous waste produced was construction waste. Since the construction wastes produced at the site are handled by our main contractor, the disclosure of the relevant key performance indicator was not available for the Group.

Due to the nature of the industry, the Group seldom produces hazardous waste. Therefore, the relevant key performance indicator did not apply to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

Energy Consumption

We have initiated a series of measures to enhance energy performance. In offices, we encourage the usage of electronic devices throughout our daily operations and take active measures to upgrade our electronic document management system; we set the air-conditioning temperatures at an environment-friendly level during summer months; all employees are told to switch off all lighting and air-conditioning systems if not in use; and at construction sites, our teams are also encouraged to switch off idle plants and machinery, to avoid energy wastage.

Water Consumption

Water is consumed by the municipal water supply and we did not encounter any issues in sourcing water during the year. For the sake of continuing improvements in our water-use, we have strengthened our construction site management to improve water-use efficiency. Taking into account the seasonal variations, we strive to construct adequate drainage channels, catchpits, situation traps and sedimentation tanks at our project sites and conduct regular self-monitoring maintenance checks to avoid blockages or leakage. In order to reduce wastewater discharge, construction wastewater is collected and treated to reuse on site for wheel washing and dust suppression, alleviating dust generation from construction and demolition activities.

Use of Packaging Materials

Due to the business nature, the Group did not consume any packaging material. Therefore, the relevant key performance indicators were not applicable.

The Group is committed to consume resources efficiently during production. The Group's total resource consumption is listed in the tables below:

	2022	2021	Unit
Direct and indirect energy consumption by type			
Direct energy consumption – Diesel	2,534.8	16,761.0	GJ
Direct energy consumption – Petrol	2,139.9	1,400.8	GJ
Indirect energy consumption – Electricity	10.1	10.4	MWh
Total energy consumption	1,308.7	5,055.4	MWh-e
Intensity (by revenue)	14.11	30.04	MWh-e/ million HKD revenue
Water consumption in total and intensity			
Total water consumption	2.0	25.0	m ³
Intensity (by revenue)	0.02	0.15	m ³ /million HKD revenue

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environment and Natural Resources

To spur continuous improvement in our environmental management practices, we have also established control measures for noise pollution, waste generation and waste disposal.

According to the Environmental Impact Assessment Ordinance (Cap. 499, Laws of Hong Kong), the noise standards for daytime construction activities should be 75 decibels for all domestic premises and 70 decibels for educational institutions. Due to increasingly stringent regulations, noise control has been a primary concern for us ever since our establishment. To meet this challenge, we strive to erect noise sources by screening structures as early as possible during the project planning stage and use portable noise barriers for noisy stationary and mobile plants.

Climate Change

The Group recognizes that the climate-related risks, such as the acute physical risks and chronic physical risks, may bring negative impacts on our business operation and affect the safety of our employees.

Acute physical risks refer to the increase in the severity and frequency of extreme weather events, such as typhoons, rainstorms and floods. During extreme weather, employees are not able to perform their work properly. Delays or suspended operations may lead to extra operating costs and lower the profitability of the Group. As such, the Group will review the existing adverse weather arrangement and prepare contingency plans to reduce the disturbance to the business.

Chronic physical risks refer to the changes in precipitation patterns and rising mean temperature in long term. Since the Group specializes in roads and drainage works, heavier precipitation events and floods caused by the changes in precipitation patterns may pose unusual pressure to the drainage system. Drainage networks that are designed based on historical climate regimes may be defunct in the future. For the rise in temperature, the Group would provide periodic rest time and ensure that there are adequate supplies of water for employees working in the outdoor areas.

SOCIAL ASPECTS

Employment and Labour Practices

Employment

We believe that our staff team is the most valuable asset and the foundation for the development of the Group. In this regard, the Group aims to provide an attractive remuneration package, and fair and inclusive working environment to safeguard the legitimate rights and interests of employees. A Staff Handbook is in place to ensure that all employees are aware of the goals, policies and procedures of the Group as well as their responsibilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

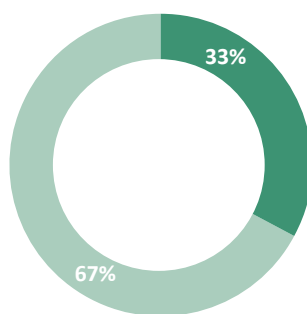
To accommodate our continuously growing business scale, we recruit talent from different cultures and backgrounds for our team. We also provide vast opportunities for career development for our employees, and strive to match employees' personal career planning with the business development goals through talent training system, effective incentive mechanism and fair competition platform, so that mutual benefits for employees and the Group can be achieved.

The construction industry has been continuously suffering from manpower shortages for years. Accordingly, we always place emphasis on attracting qualified applicants to meet future challenges by offering competitive remuneration packages. These packages are reviewed based on employees' performance and reference to prevailing market conditions, and are adjusted in a timely manner to keep them in line with sector benchmarking.

Through the management meetings and performance assessments, we maintain regular communications with our employees. In daily operations, employees at all levels are encouraged to share their perceptions of the Group with the management. Simultaneously, employees are also encouraged to discuss their targets in job advancement and career development with their senior management. In the hope of promoting a healthy lifestyle and work-life balance within the Group, we periodically organise a series of family-friendly recreational activities for employees to reward them, which help foster harmonious employment relations.

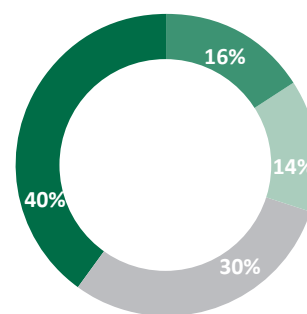
As at 31 March 2022, the Group had 43 (2021: 67) full-time employees, including back-office and site staff, in Hong Kong. In view of the high labour mobility of the construction industry, and the fact that most of the employees in the industry are temporary employees, whose employment is on a day-to-day basis or for a fixed period of less than 60 days. Hence, those temporary employees who joined and left within the year were not constituted in our annual turnover rate calculation. The charts below show the number of employees by gender and level as at the end of the year.

Number of Employee By Gender



■ Female ■ Male

Number of Employee By Level



■ Managerial ■ Senior ■ Middle ■ Junior

For the year ended 31 March 2022, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to employment and labour standards, including but not limited to the Employment Ordinance (Cap. 570, Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong) and Minimum Wage Ordinance (Cap. 608, Laws of Hong Kong).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

Owing to our business nature, our employees are often involved in high-risk work procedures. Hence, we always place great emphasis on taking care of the safety and health at work of all persons and endeavour to provide our employees and subcontractors with a safe and healthy working environment. To safeguard employees' health and safety, we are fully committed to complying with the Occupational Safety and Health Ordinance (Cap. 509, Laws of Hong Kong), the Employees' Compensation Ordinance (Cap. 282, Laws of Hong Kong), and the Factories and Industrial Undertakings Ordinance (Cap. 59, Laws of Hong Kong).

Our operations adhere to the internal occupational health and safety policy to identify, assess, control and monitor safety risks. Our safety requirements and procedures are standardised across the Group's operating activities, and it is supplemented with instructions for our employees. Safety measures include provision of adequate personal protection equipment, such as safety helmets, ear plugs, dust masks and safety shoes, and arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances, and emergency procedures for foreseeable emergencies, such as first aid kits and other emergency treatments.

According to the Employment Compensation Ordinance (Cap. 282, Laws of Hong Kong), we strictly implement the injury reporting procedure to report and submit Form 2 to the Labour Department within the prescribed period.

In addition, the Group carries out various forms of intensive safety inspection, such as regular inspections, inspections at high-risk construction sites and inspections of high-risk work procedures. In the course of inspections, on-site foremen and site supervisors cooperate with safety officers to ensure any breaches or unsafe conditions are rectified promptly.

	2020	2021	2022
Number of work-related fatalities	Nil	Nil	Nil
Rate of work-related fatalities			0%
Lost days due to work injury			153

For the year ended 31 March 2022, the Group has not found any material non-compliance on the health and safety laws and regulations, and there were no work-related fatalities during the past three years, including the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

We believe training is an important means of talent cultivation for us, and it seeks to build a team with expertise, professional skills and strong executive capability. To support our employees to undertake lifelong training, we provide periodic training and development programs that add value for employees at all working levels. To continuously attract new talent, we also provide enhanced training program and education subsidies, to encourage our employees to undertake continuous learning and broaden their knowledge.

Through our employee training system, our employees participated in internal and external training courses, including those concerned with construction safety and environmental management, professional skills operation training and emergency awareness. In the future, the Group will invest further resources to provide employees with more comprehensive training programs, with the aim of enriching personal and professional development.

Labour Standards

Through establishing a comprehensive employment management system, the Group abides strictly to the Employment Ordinance (Cap. 57, Laws of Hong Kong). According to the Immigration Ordinance (Cap. 115, Laws of Hong Kong) and the Construction Workers Registration Ordinance (Cap. 583, Laws of Hong Kong), a construction site controller should take all practicable steps to prevent illegal workers who are not lawfully employable from taking employment on site and is required to employ only registered construction workers to personally carry out construction work on construction sites. Prior to employing construction workers, the Group will carefully check their identity and registration to ensure there are no instances of child and forced labour in the Group and in compliance with the aforesaid regulations.

In addition, we recognise the importance of a fair and harmonious working environment and adhere to the principle of equal opportunities. From recruitment to promotion, the Group adheres to non-discrimination employment policies, including but not limited to the Sex Discrimination Ordinance (Cap. 480, Laws of Hong Kong), Race Discrimination Ordinance (Cap. 602, Laws of Hong Kong), Disability Discrimination Ordinance (Cap. 487, Laws of Hong Kong) and Family Status Discrimination Ordinance (Cap. 527, Laws of Hong Kong), and prohibits the employment of forced or child labour. During the year, the Group was not aware of any material non-compliance with laws and regulations in respect of labour standards.

Operating Practices and Social Investment

Supply Chain Management

The service quality and the quality of the infrastructure it builds are dependent on the reliability and quality of products and services delivered by suppliers. In addition to stringent internal controls and regular assessment, the Group maintains high standards for all aspects of operations and works with partners to build a sustainable supply chain.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

It is the Group's objective to build long-lasting and constructive relationships with partners in its supply chain. Procedures for supplier evaluation and management mechanism are formulated to ensure fairness and transparency. For the selection of our suppliers, quality, lead time and after-sales service capability are our major considerations. Certainly, we also consider whether our suppliers follow the environmental standards from the Environmental Protection Department. Assessments on suppliers are conducted annually. Suppliers with unsatisfied performance may be subject to removal from our pre-approved list of suppliers. These practices are applied on all of the Group's suppliers.

We aim to deepen the relationships with our suppliers and subcontractors. Therefore, we maintain regular communication with them, sharing knowledge and experiences, and adopting good industry practices in our operations. In our daily operations, we tend to procure from local suppliers so as to reduce our carbon footprint and transportation costs. During the year, a hundred percent of our suppliers are located in Hong Kong.

Product Responsibility

Attaching great importance to quality improvement, the Group strictly followed legal and industry standards and promotes the ultimate accountability on projects. From the commencement to completion of projects, stringent quality assurance and control procedures are applied during material procurement, material testing, construction works processing. Our experienced staff monitor and control quality, time and cost to help ensure effective project planning, design and construction from inception to completion. The Group will choose reputable suppliers and subcontractors from the pre-approved list and require them to provide after-sales services to ensure the quality.

As the Group's business does not involve any products and services, the disclosure on the product recalls and number of complaints related to product and service is not applicable to the Group.

The Group recognises the importance of data privacy and it is dealt seriously across the Group. To ensure information security, the Group has established guidelines for handling confidential or special information provided by customers, employees and business associates. All collected customer data are treated as strictly confidential and handled with due care.

For the year ended 31 March 2022, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided.

Anti-Corruption

The Group regards integrity and fairness as the foundation of corporate social responsibility. We are committed to operating as a responsible business by upholding high ethical standards and conducting business in an honest and ethical way with integrity. The Group strictly abides by the anti-bribery relevant laws and regulations and prohibits all behaviours that may be suspected of corruption and bribery. Employees are familiarised with our stringent anti-corruption principles through on-the-job anti-corruption training or verbal communications.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Standardised rules and guidelines in handling a range of situations, such as gifts, entertainment and financial management are specified in our Staff Handbook. For instance, employees are prohibited from accepting or offering gifts or services from or to our customers, suppliers or any person who has business dealings of any kind with the Group. Falsifying documents and furnishing false accounting records, receipts or invoices are also strictly prohibited. Besides, the Group encourages employees to confidentially report any integrity-related issues through whistleblowing channels.

For the year ended 31 March 2022, the Group did not receive any notice of non-compliance brought against the Group or its employees in relation to anti-corruption laws and regulations, such as the Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong), the Theft Ordinance (Cap. 210, Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615, Laws of Hong Kong).

Community Investment

As a social enterprise, the Group has been deeply involved in the field of social welfare, putting corporate social responsibility into actual practice. The Group always takes the interests of the communities where it operates into account and regards contributing to community well-being as an important way of realising such values.

In order to be a more responsible business and create a better living environment for the local community, we are also committed to continuously providing sponsorships and donations to various charitable organisations. We go deep into the communities where the projects are located and care for the minority group.

During the year, the Group has made donations to sponsor events organized by the Lighthouse Club, Chun Wo Charitable Foundation and Pak Wai Village Office, to support the people in need and rural cultural development in Hong Kong. In the future, the Group will continue to serve the community and provide assistance to the needy.

Aspect	Receiving party	Supporting event	2022	Unit
Support for Industries	The Lighthouse Club	Lap Dog Challenge 2021	3,000	HKD
Caring the community	Chun Wo Charitable Foundation	Call of Love Charity Concert ("愛的呼喚慈善音樂會")	5,000	HKD
Cultural Inheritance	Pak Wai Village Office	Relocation of Tai Wong Yeh in Pak Wai Tsuen ("搬遷北圍村大王爺")	1,000,000	HKD

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Aspects	2022	2021	Unit
Aspect A1: Emissions			
A1.1 The types of emissions and respective emissions data			
Sulphur oxides (SO _x)	1.96	1.50	kg
A1.2 Greenhouse gas emissions in total and intensity			
Scope 1 emissions	745.9	1,247.0	tonnes CO ₂ -e
Scope 2 emissions	3.7	7.4	tonnes CO ₂ -e
Scope 3 emissions	0.1	–	tonnes CO ₂ -e
Total greenhouse gas emissions	749.8	1,254.4	tonnes CO ₂ -e
Intensity (by revenue)	8.08	7.45	tonnes CO ₂ -e/ million HKD revenue
Aspect A2: Use of Resources			
A2.1 Direct and/or indirect energy consumption by type			
Direct energy consumption – Diesel	2,534.8	16,761.0	GJ
Direct energy consumption – Petrol	2,139.9	1,400.8	GJ
Indirect energy consumption	10.1	10.4	MWh
Total energy consumption	1,308.7	5,055.4	MWh-e
Intensity (by revenue)	14.11	30.04	MWh-e/million HKD revenue
A2.2 Water consumption in total and intensity			
Total water consumption	2.0	25	m ³
Intensity (by revenue)	0.02	0.15	m ³ /million HKD revenue

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Aspects	2022	Unit
Aspect B1: Employment		
B1.1 Total workforce		
Total number of employees	29	employee
By gender		
Female	5	employee
Male	24	employee
By employment type		
Full-time	29	employee
Part-time	0	employee
By employee category		
Managerial	7	employee
Senior	4	employee
Middle	1	employee
Junior	17	employee
By geographical region		
Hong Kong	29	employee
B1.2 Employee turnover rate		
Total employee turnover rate ¹	131%	%
Aspect B2: Health and Safety		
B2.1 Number of work-related fatalities		
Number of work-related fatalities	0	no.
Rate of work-related fatalities	0%	%
B2.2 Lost days due to work injury		
Lost days due to work injury	153	day
Aspect B3: Development and Training		
B3.1 Percentage of trained employees		
Percentage of total employees trained	0%	%
B3.2 Average training hours completed		
Average training hour per employee	0	hour/employee
Aspect B5: Supply Chain Management		
B5.1 Number of suppliers by geographical region		
Total number of suppliers	232	supplier
By geographical region		
Hong Kong	232	supplier
Aspect B7: Anti-corruption		
B7.1 Number of concluded legal cases regarding corruption		
Number of concluded legal cases regarding corruption	0	case
Aspect B8: Community Investment		
B8.2 Resources contributed		
Total amount of donation in cash	1,008,000	HKD

1 The calculation of the turnover rate is shown as below and the rate may exceed 100%:

Turnover rate = L/E*100%

L = Number of employees leaving employment during the year

E = Number of employees at the end of the year

DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements for the Reporting Period.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015.

The Company completed the corporate reorganisation (the "Reorganisation") on 22 February 2016 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising the Group.

The Shares were listed on GEM of the Stock Exchange on 12 April 2016 by way of placing.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of civil engineering works. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements of this report. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

Detailed business review, financial key performance indicators and likely future development are set out in the section of "Management Discussion and Analysis" in this report. A discussion of the principal risks and uncertainties, environmental policies of the Group, compliance with laws and regulations by the Group are illustrated in this Directors' report.

PRINCIPAL RISK AND UNCERTAINTIES

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

- (i) A significant portion of our revenue was derived from a small number of customers. Our five largest customers' revenue contribution for the Reporting Period was 100% (31 March 2021: 99.8%) of our total revenue, while our largest customer accounted for approximately 57.9% during the Reporting Period (31 March 2021: 66.3%). There is no assurance that we will be able to retain our customers upon expiry of the contract period and to obtain suitable projects of a comparable size and quantity as replacement, failing to do so will have a material impact on our financial conditions and operating results;
- (ii) Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss;

DIRECTORS' REPORT

- (iii) If net cash outflows to pay certain operating expenditures do not align with progress payments to be received at any particular period of time, our cash flow position may be adversely affected;
- (iv) The Group's success is attributable to the contribution of, among others, our senior management personnel and in-house professional. The Group relies on the professional knowledge, experience and expertise of our senior management and in-house professional to facilitate the formulation of competitive tenders and in deciding the best suitable construction methodology in order to carry out our project works in an efficient manner while being able to meet customers' demand. Fail to hire in a timely manner and to retain suitable, skilled and qualified senior management personnel and in-house professional to meet our construction needs could adversely impact our business, results of operation and profitability of the Group; and
- (v) The Group's operations are conducted outdoors and are affected by weather conditions. If we have to halt operations during inclement weather conditions or a natural disaster, we may continue to incur operating expenses while we experience reduced revenues and profitability, our revenue, costs, financial conditions and growth potentials will be adversely affected.

ENVIRONMENTAL POLICY

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong).

We had ceased our ISO 14001:2004 certificate on 18 August 2017. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

During the Reporting Period, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Reporting Period.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of this report.

DIRECTORS' REPORT

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Period (2021: HK\$Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 18 to the consolidated financial statements of this report.

SHARE CAPITAL

Movements of the share capital of the Company during the Reporting Period are set out in note 30 to the consolidated financial statements of this report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2022, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to nil.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme (the "Share Option Scheme") as set out below, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

SHARE OPTION SCHEME

The Share Option Scheme of the Company has been adopted by way of shareholder's written resolution passed on 24 March 2016 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the businesses of the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules and are summarised below:

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial Shareholders or INEDs or any of their respective associates (including a discretionary trust whose discretionary objects include substantial Shareholders, INEDs, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

DIRECTORS' REPORT

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 24 March 2016) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

As at 31 March 2022, 27,866,340 share options has been granted by the Company pursuant to such Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one share of HK\$0.04 each of the Company.

	Date of grant	Exercise price per option	Exercise period	Vesting period	Balance as at 1 April 2021	Granted during the year	Exercised during the year	Lapsed during the year	Share option adjustment during the year	Balance as at 31 March 2022
Directors										
So Kwok Hung (resigned on 31 May 2022)	11 July 2019	HK\$1.414	5 years from the date of grant	No	3,120,000	-	-	-	(2,228,460)	891,540
	18 August 2020	HK\$0.090	5 years from the date of grant	No	3,120,000	-	(3,120,000)	-	-	-
Yu Xiao	11 July 2019	HK\$1.414	5 years from the date of grant	No	3,120,000	-	-	-	(2,228,460)	891,540
	18 August 2020	HK\$0.090	5 years from the date of grant	No	3,120,000	-	(3,120,000)	-	-	-
Wong Chi Kan	18 August 2020	HK\$0.090	5 years from the date of grant	No	3,120,000	-	(3,120,000)	-	-	-
Liao Honghao	18 August 2020	HK\$0.090	5 years from the date of grant	No	3,120,000	-	(3,120,000)	-	-	-
Lao In lam	18 August 2020	HK\$0.090	5 years from the date of grant	No	3,120,000	-	(3,120,000)	-	-	-
Other employees										
	11 July 2019	HK\$1.414	5 years from the date of grant	No	12,480,000	-	-	-	(8,913,840)	3,566,160 (note (i))
	18 August 2020	HK\$0.090	5 years from the date of grant	No	12,480,000	-	(12,480,000)	-	-	-
	21 July 2021	HK\$0.315	5 years from the date of grant	No	-	37,440,000	-	-	(26,741,520)	10,698,480 (note (ii))
	18 March 2022	HK\$0.163	5 years from the date of grant	No	-	9,144,000	-	-	-	9,144,000 (note (iii))
Consultants										
	11 July 2019	HK\$1.414	5 years from the date of grant	No	9,360,000	-	-	-	(6,685,380)	2,674,620 (note (iv))
Total					56,160,000	46,584,000	(28,080,000)	-	(46,797,660)	27,866,340

Notes:

- (i) The share options have been granted to 4 employees and each of them hold 891,540 share options.
- (ii) The share options have been granted to 10 employees and each of them hold 1,069,848 share options.
- (iii) The share options have been granted to 4 employees and each of them hold 2,286,000 share options.
- (iv) The share options have been granted to 3 consultants and each of them hold 891,540 share options.

Each consultant provides consultancy services and business development support to the Group, including but not limited to provision of consultancy services in relation to the construction projects, sourcing potential construction projects and business development opportunity to the Group.

The management consider that in view of the limited resources of the Group and to maintain a long-term growth, the options granted to the consultants can help to retain and motivates these non-employees to generate growth in company value. The options were granted as in incentive for these consultants to provide ongoing service to the Group and to maintain a long-term relationship with them so that the Group can maintain a streamline operation with stability. Apart from the options granted, the Company has not provided any other remuneration to these consultants for their services provided.

- (v) The closing price of the Company's shares immediately before the date of grant of share options on 21 July 2021 and 18 March 2022 were HK\$0.087 and HK\$0.162 respectively.

DIRECTORS' REPORT

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this report.

KEY RELATIONSHIPS

Employees

The Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve the Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

Customers

A majority of our five largest customers have long-standing business relationship with us for over ten years and we will therefore endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future. The Group's experience as a quality subcontractor in handling civil engineering projects also give business advantage to our customers to ensure projects are executive in accordance with their quality standard.

Suppliers and subcontractors

The Group encompasses working relationships with suppliers and subcontractors to meet our Customers' needs in an effective and efficient manner. The Group has set up an approved list of suppliers and we select our suppliers from the list based on their prices, quality, past performances and timeliness of delivery.

Subject to our capacity, resources level, types of civil engineering works, cost effectiveness, complexity of the projects and customers' requirement, we may subcontract our works to other subcontractors. We maintain an internal list of approved subcontractors and carefully evaluate the performance of our subcontractors and select them based on their background, technical capability, experience, fee quotation, service quality, labour resources, timeliness of delivery, reputation and safety performance.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the Reporting Period, our largest customer accounted for approximately 57.9% (2021: 66.3%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 100% (2021: 99.8%).

For the Reporting Period, our largest supplier accounted for approximately 30.5% (2021: 10.3%) of our total purchases incurred (excluding subcontracting charges incurred), while the percentage of our total purchases incurred (excluding subcontracting charges incurred) attributable to our five largest suppliers in aggregate was approximately 51.5% (2021: 33.9%).

DIRECTORS' REPORT

For the Reporting Period, our largest subcontractor amounted to approximately 38.9% (2021: 19.8%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 80.0% (2021: 62.3%).

None of the Directors, their close associates, or any Shareholders who or which, to the knowledge of the Directors, owned more than 5% of the issued Shares have any interest in any of the five largest customers, suppliers and subcontractors during the year ended 31 March 2022.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. So Kwok Hung (*Chairman*) (resigned on 31 May 2022)

Ms. Yu Xiao

Ms. Lau Wing Yu (appointed on 31 May 2022)

INEDs

Mr. Wong Chi Kan

Mr. Liao Honghao

Ms. Lao In lam

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding Directors' emoluments is set out in note 15(a) to the consolidated financial statements of this report.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the Director giving to the other not less than three months' notice in writing in accordance with the terms of the agreement. Each INEDs was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

None of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

INDEMNITY OF DIRECTORS

Starting from 25 April 2016, the Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the contracts relating to the Reorganisation of the Group in relation to the Listing and save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements in this report.

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the Share Option Scheme.

COMPETING INTERESTS

The Directors confirm that none of the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period and up to the date of this report.

DIRECTORS' REPORT

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Number of issued ordinary shares/underlying shares of the Company	Personal interests	Total	Percentage of the issued shares capital of the Company
So Kwok Hung (resigned on 31 May 2022)				
– Ordinary shares	780,000			
– Unlisted share options	891,540		1,671,540	0.55%
Yu Xiao				
– Ordinary shares	780,000			
– Unlisted share options	891,540		1,671,540	0.55%
Liao Honghao				
– Ordinary shares	780,000		780,000	0.26%
Lao In lam				
– Ordinary shares	780,000		780,000	0.26%

Save as disclosed above, none of the Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' REPORT

B. Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares

As at 31 March 2022, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than the Directors and chief executive of the Company disclosed above) had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group are set out in note 34 to the consolidated financial statements to this report.

The related party transactions do not constitute connected transactions of the Company for the Reporting Period. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 12 to 24 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% as required under the GEM Listing Rules as at the date of this report.

DIRECTORS' REPORT

DONATIONS

During the Reporting Period, the Group did not make any charitable and other donations (2021: HK\$3,000).

AUDITORS

The consolidated financial statements for the year ended 31 March 2018 have been audited by Grant Thornton Hong Kong Limited ("Grant Thornton"). Grant Thornton has resigned as auditors of the Company with effect from 10 April 2019. Elite Partners CPA Limited ("Elite Partners") was appointed as the new auditors of the Company with effect from 10 April 2019. The consolidated financial statements for the years ended 31 March 2019, 2020, 2021 and 2022 have been audited by Elite Partners.

The consolidated financial statements for the Reporting Period have been audited by Elite Partners. Elite Partners shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditors of the Company will be proposed at the forthcoming AGM.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Reporting Period.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2022 and up to the date of this report.

On behalf of the Board
Luen Wong Group Holdings Limited
Yu Xiao
Executive Director

Hong Kong, 23 June 2022

INDEPENDENT AUDITOR'S REPORT



To the shareholders of Luen Wong Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Luen Wong Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 119, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from construction works	
<p>The Group recognised revenue from construction contracts of approximately HK\$92,754,000 for the year ended 31 March 2022.</p> <p>Contract revenue is recognised over time using the output method, based on direct measurements of the value of services delivered or work performed, which is established by reference to the construction works certified by surveyors or other representatives appointed by the customers. Contract costs are recognised when work performed.</p> <p>The recognition of contract revenue and costs relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgment, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable.</p> <p>We identified contract revenue and costs as a key audit matter because the estimation of the total revenue and total costs to complete contracts is inherently subjective and requires significant management judgment and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.</p>	<p>Our audit procedures to assess the revenue recognition from construction works included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding on how the management recognises the revenue from construction works and how the total budget costs are determined; • agreeing the total contract sum to the respective signed contracts and the correspondence with customers on a sample basis; • assessing the accuracy of the revenue and profit recognised from construction contracts by reviewing the calculation based on the output method; • comparing the contract revenue recognised for the major contracts in progress during the year with reference to the certification from the professional appointed by the customer • evaluating the reasonableness of total costs by agreeing to underlying contracts, latest quotations and other correspondences with subcontractors/suppliers/vendors, and comparing the budgeted costs with actual costs recorded, taking into account the progress towards completion; • testing the supporting documents of the budgets and actual costs incurred on a sample basis, which include sub-contracting contracts, material purchase contracts/invoices; and • inspecting of contract agreements with customers and subcontractors to identify key terms and conditions, including contracting parties, contract period, contract sum, scope of work, liquidated damages and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete under the forecasts of contract.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on trade receivables and contract assets	
<p>As at 31 March 2022, the Group has trade receivables and contract assets, net of allowance of credit losses, of approximately HK\$50,095,000 and HK\$43,056,000 respectively. Management judgment was required in assessing and determining the recoverability of trade receivables and contract assets, and determining the adequacy of allowance made.</p> <p>In determining whether there was objective evidence of impairment loss, the Group took into consideration the credit history of the customers and the current market condition which may require management judgment.</p> <p>We identified impairment assessment on trade receivables and contract assets as a key audit matter due to their significance of trade receivables and contract assets to the Group's consolidated financial statements and the involvement of management judgment and estimates in evaluating the expected credit losses of the Group's trade receivables and contract assets at the end of the reporting period.</p>	<p>Our procedures in relation to impairment assessment on trade receivables and contract assets included:</p> <ul style="list-style-type: none"> • obtaining an understanding of the Group's internal control and assessment procedures of impairment on trade receivables and contract assets; • assessing the information used by the management of the Group of impairment assessment, including the aging analysis of trade receivables and contract assets and past due history of debtors as at 31 March 2022, by comparing individual items in the analysis with the relevant construction agreements, certificates issued by surveyors or other representatives appointed by the customers, settlement records of debtors and other supporting documents; • challenging management's basis and judgment in determining credit loss allowance on trade receivables and contract assets as at 31 March 2022, including their identification of credit-impaired trade receivables and contract assets, and the basis of estimated loss rates applied on each debtor in the impairment assessment with reference to historical default rates and forward-looking information; and • evaluating the disclosure regarding the impairment assessment of trade receivables and contract assets in the consolidated financial statements.

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 the Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Ho Kwan with Practising Certificate number P07543.

Elite Partners CPA Limited

Certified Public Accountants

10/F,

8 Observatory Road,

Tsim Sha Tsui,

Kowloon,

Hong Kong

23 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	8	92,754	168,300
Cost of services provided		(91,711)	(170,583)
Gross profit/(loss)		1,043	(2,283)
Other income	10	119	8,034
Other gains or losses, net	11	1,574	(5,214)
Impairment losses recognised under expected credit loss model, net of reversal	12	(11,582)	(7,111)
Administrative and other operating expenses		(10,629)	(8,667)
Loss from operations		(19,475)	(15,241)
Finance costs	13	(733)	(269)
Loss before tax	13	(20,208)	(15,510)
Income tax credit	14	61	2,380
Loss and total comprehensive expense for the year attributable to owners of the Company		(20,147)	(13,130)
		HK cents	<i>HK cents</i> (Restated)
Loss per share	17	(10.04)	(13.24)
Basic and diluted			

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	403	1,053
Right-of-use assets	19	280	477
Prepayment	22	667	–
		1,350	1,530
Current assets			
Contract assets	21	39,656	41,121
Contract cost	21	3,400	–
Trade and other receivables	22	55,241	72,849
Financial assets at fair value through profit or loss	23	36,499	32,133
Cash and bank balances	24	8,201	15,572
		142,997	161,675
Current liabilities			
Contract liabilities	21	3,400	–
Trade and other payables	25	24,688	30,382
Amount due to a former shareholder	26	42,964	94,964
Lease liabilities	27	155	256
Bond payables	29	12,000	–
Tax payable		627	627
		83,834	126,229
Net current assets		59,163	35,446
Total assets less current liabilities		60,513	36,976
Non-current liabilities			
Lease liabilities	27	–	155
Deferred tax liabilities	28	–	61
Bond payables	29	–	12,000
		–	12,216
Net assets		60,513	24,760
CAPITAL AND RESERVES			
Share capital	30	48,298	14,976
Reserves		12,215	9,784
Total equity attributable to owners of the Company		60,513	24,760

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

Lau Wing Yu
Director

Yu Xiao
Director

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Equity attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note 32)	Share-based payment reserve HK\$'000 (Note 32)	Other reserve HK\$'000 (Note 32)	Capital reserve HK\$'000 (Note 32)	Accumulated losses HK\$'000	
As at 1 April 2020	12,480	36,672	4,329	10,400	3,820	(36,480)	31,221
Loss and total comprehensive expense for the year	-	-	-	-	-	(13,130)	(13,130)
Placing of new shares	2,496	2,808	-	-	-	-	5,304
Share issuing expense	-	(238)	-	-	-	-	(238)
Grant of share options	-	-	1,603	-	-	-	1,603
Lapse of share options	-	-	(594)	-	-	594	-
As at 31 March 2021 and as at 1 April 2021	14,976	39,242	5,338	10,400	3,820	(49,016)	24,760
Loss and total comprehensive expense for the year	-	-	-	-	-	(20,147)	(20,147)
Issue of new shares by way of rights issue	32,199	20,123	-	-	-	-	52,322
Share issuing expense	-	(1,516)	-	-	-	-	(1,516)
Grant of share options	-	-	2,567	-	-	-	2,567
Exercise of share options	1,123	2,847	(1,443)	-	-	-	2,527
As at 31 March 2022	48,298	60,696	6,462	10,400	3,820	(69,163)	60,513

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022	2021
	HK\$'000	HK\$'000
Cash flows from operating activities		
Loss before tax	(20,208)	(15,510)
Adjustments for:		
Depreciation of property, plant and equipment	142	2,054
Depreciation of right-of-use assets	197	251
(Gain)/loss on disposal of property, plant and equipment	(90)	11,974
Unrealised gain on changes in fair value of financial assets at fair value through profit or loss	(1,992)	(9,358)
Realised gain on disposal of financial assets at fair value through profit or loss	–	(23)
Finance costs	733	269
Impairment losses recognised in respect of property, plant and equipment	–	2,621
Impairment losses recognised under expected credit loss model, net of reversal	11,582	7,111
Over-provision of long services payment	(1,144)	(1,079)
Dividend income	–	(17)
Loss on written-off of property, plant and equipment	508	–
Equity-settled share-based payments expenses	2,567	1,603
Operating cash flow before movement in working capital	(7,705)	(104)
Change in contract assets	1,461	4,289
Change in contract cost	(3,400)	–
Change in trade and other receivables	(2,227)	46,063
Change in financial assets at fair value through profit or loss	(2,374)	(5,656)
Change in trade and other payables	(8,670)	(16,048)
Change in contract liabilities	3,400	–
<i>Net cash (used in)/generated from operating activities</i>	(19,515)	28,544
Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	90	4,369
Dividend received	–	17
<i>Net cash generated from investing activities</i>	90	4,386

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022	2021
	HK\$'000	HK\$'000
Cash flows from financing activities		
Proceed from issue of bond payables	–	12,000
Proceed from issue of new shares	52,322	5,304
Proceed from exercise of share options	2,527	–
Share issuing expense	(1,516)	(238)
Interest paid	–	(8)
Repayment to a former shareholder	(41,010)	(37,924)
Repayment of lease liabilities	(269)	(311)
<i>Net cash generated from/(cash used) in financing activities</i>	12,054	(21,177)
Net (decrease)/increase in cash and cash equivalents	(7,371)	11,753
Cash and cash equivalents at the beginning of the reporting period	15,572	3,819
Cash and cash equivalents at the end of the reporting period	8,201	15,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

Luen Wong Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the Company’s registered office and principal place of business are set out in “Corporation Information” section.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of civil engineering works and investment holding.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company and all values are rounded to nearest thousands of units of HK\$ (“HK\$’000”), unless otherwise stated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ³

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

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

³ Effective for business combinations/common control combinations for which the acquisition date/combination date is on or after the beginning of the first annual period on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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

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

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

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

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

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

Revenue from contracts with customers

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

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

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

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Contract costs

Costs to fulfil a contract

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

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

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use assets are transferred to property, plant and equipment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

Employee benefits

Retirement benefit obligations

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

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Short-term and other long-term employee benefits

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

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

The principal annual rates used for this purpose are as follows:

Land and building	5%
Furniture and equipment	10%
Site equipment	10%
Motor vehicles	20%

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated to reduce the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above.

Provisions

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

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

Financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is held for trading if:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component.

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

(i) Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 or 45 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

- (iii) Credit-impaired financial assets (Continued)
 - (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
 - (e) the disappearance of an active market for that financial asset because of financial difficulties.

- (iv) Write-off policy

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

- (v) Measurement and recognition of ECL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

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

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

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables (excluded provision for long services payment), amount due to a former shareholder and bond payables) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Government grants

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent liabilities and contingent assets

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements during the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the year in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related party

A person or an entity is considered to be related to the Group as follows:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (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 party;
 - (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); or
 - (viii) the entity, or any member of the 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.

A related party transaction is a transfer of resources, services or obligation between the Group and a related party, regardless of whether a price is charged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily obtainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the year ended 31 March 2021 due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's civil engineering works operations.

Construction contracts

As explained in note 3 to the consolidated financial statements, revenue from construction contracts are recognised over time using the output method. Such revenue and profit recognition on uncompleted projects is dependent on estimating the outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached and the related contract assets disclosed in note 21 to the consolidated financial statements do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provision of ECL for financial assets measured at amortised cost

Trade receivables and contract assets with significant balances or credit-impaired and all other financial assets measured at amortised cost are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables and contract assets which are individually insignificant. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's financial assets measured at amortised cost are disclosed in note 6 to the consolidated financial statements.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of total debts and total equity. The ratio is calculated based on total debts and total equity of the Group. The directors review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares or repurchase of shares as well as issue of new debts or redemption of existing debts.

The Group is not subject to any externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. CAPITAL RISK MANAGEMENT (Continued)

Gearing ratio

The gearing ratios as at 31 March 2022 and 31 March 2021 were as follows:

	2022	2021
	HK\$'000	HK\$'000
Bond payables	12,000	12,000
Lease liabilities	155	411
Total debts	12,155	12,411
Less: cash and bank balances	(8,201)	(15,572)
Net debt/(cash)	3,954	(3,161)
Total equity	60,513	24,760
Net debt to equity ratio	6.5%	N/A

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2022	2021
	HK\$000	HK\$000
Financial assets		
Financial assets at FVTPL	36,499	32,133
Financial assets at amortised cost	61,856	86,485
	98,355	118,618
Financial liabilities		
At amortised cost	78,687	135,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group major financial instruments include financial assets at FVTPL, trade and other receivables (excluded prepayment), cash and bank balances, trade and other payables (excluded provision for long services payment), amount due to a former shareholder and bond payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments induce market risk (including equity price risk and interest rate risk), credit risk and impairment assessment and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

Market risk

(i) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong. The directors manage this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in 7 (2021: 7) industry sector quoted in the Stock Exchange. In addition, the Group monitors the price risk closely and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective financial assets at FVTPL had been 5% (2021: 5%) higher/lower:

Post-tax loss for the year ended 31 March 2022 would decrease/increase by HK\$1,524,000 (2021: HK\$1,342,000) as a result of the change in fair value of financial assets at FVTPL.

The Group's sensitivity to financial assets at FVTPL has not changed significantly from the prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bond payables and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate receivables from securities brokers. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank and securities broken. However, the directors are of the opinion that the Group does not have significant interest rate risk as the fluctuation in interest rates is not expected to be material. The Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measure in future as may be necessary.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to contract assets, trade receivables, receivables from securities brokers, other receivables, deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

In order to minimise the credit risk, the directors have delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

Trade receivables and contract assets arising from contracts with customers

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 34.7% (2021: 47.9%) and 99.2% (2021: 99.4%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers (Continued)

In addition, the Group performs impairment assessment under ECL model on trade receivables and contracts assets individually or based on provision matrix. Trade receivables and contract assets are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Impairment losses recognised for trade receivables and contract assets of approximately HK\$11,918,000 (2021: HK\$6,464,000), and HK\$4,000 (2021: reversal of impairment loss HK\$39,000) the year respectively. Details of the quantitative disclosures are set out below in this note.

Bank Balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

Deposits and other receivables

For deposits and other receivables (including receivables from securities brokers), the directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2022 and 2021, except for deposits and other receivables with the amounts of HK\$3,500,000 (2021: HK\$3,500,000), the Group assessed the ECL for deposits and other receivables were insignificant and thus no loss allowance was recognised. The directors assessed the deposits and other receivables with the amounts of approximately HK\$3,500,000 (2021: HK\$3,500,000) based on 12m ECL and concluded that impairment losses with the amounts of HK\$340,000 (2021: impairment losses recognised of HK\$686,000) was reversed for the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits and other receivables (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets	Other financial assets
Low risk	The counter party has a low risk of default and does not have any past-due amounts and the counter party frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Written-off	There is evidence indicating that debtor is severe financial difficulty and the Group has no realistic prospect of recovery or in the case of trade receivables, when the amounts are over two years past due	Amount is written-off	Amount is written-off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets which are subject to ECL assessment:

	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amounts HK\$'000	2021 Gross carrying amounts HK\$'000
Financial assets at amortised cost					
Trade receivables	N/A	(Note 1)	Lifetime ECL – not credit-impaired	68,649	74,496
Contract assets	N/A	(Note 1)	Lifetime ECL – not credit-impaired	39,689	41,150
Deposits and other receivables	N/A	Low risk	12M ECL	3,911	3,053
Bank balances	A1 or above	Low risk	12M ECL	8,196	15,569

Notes:

- (1) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its construction operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Trade receivables and contract assets with gross carrying amounts of HK\$9,930,000 (2021: HK\$15,777,000) and HK\$43,089,000 (2021: HK\$41,150,000) respectively are assessed based on provision matrix within lifetime ECL (not credit-impaired). Trade receivables with the gross carrying amounts of approximately HK\$58,719,000 (2021: HK\$58,719,000) that are assessed individually, the Group recognised impairment losses with the amount of approximately HK\$18,283,000 (2021: HK\$6,536,000) in respect of trade receivables that are assessed individually for the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(1) (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables from contracts with customers based on provision matrix:

As at 31 March 2022

	Average loss rate %	Gross carrying amounts HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.3	6,461	17
1 to 30 days past due	3.9	1,502	59
31 to 60 days past due	–	–	–
61 to 90 days past due	–	–	–
91 to 180 days past due	9.9	1,967	195
		9,930	271

As at 31 March 2021

	Average loss rate %	Gross carrying amounts HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.1	13,626	18
1 to 30 days past due	3.8	2,151	82
		15,777	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(1) (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets based on provision matrix:

As at 31 March 2022

	Average loss rate %	Gross carrying amounts HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.1	39,689	33

As at 31 March 2021

	Average loss rate %	Gross carrying amounts HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.1	41,150	29

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(1) (Continued)

The following table shows the movement in lifetime ECL (not credit-impaired) that has been recognised for trade receivables from contracts with customers under the simplified approach:

	2022 Lifetime ECL (not credit- impaired) HK\$000	2021 <i>Lifetime ECL</i> <i>(not credit-</i> <i>impaired)</i> <i>HK\$000</i>
At the beginning of the reporting period	6,636	172
Impairment losses recognised	11,918	6,464
At the end of the reporting period	18,554	6,636

The following table shows the movement in lifetime ECL (not credit-impaired) that has been recognised for contract assets from contracts with customers under the simplified approach:

	2022 Lifetime ECL (not credit- impaired) HK\$000	2021 <i>Lifetime ECL</i> <i>(not credit-</i> <i>impaired)</i> <i>HK\$000</i>
At beginning of the reporting period	29	68
Impairment losses recognised	4	–
Impairment losses reversed	–	(39)
At the end of the reporting period	33	29

(2) Movement in the loss allowance of deposits and other receivables

The following table show reconciliation on loss allowance of deposits and other receivables under general approach:

	12m ECL HK\$'000
As at 1 April 2020	–
Impairment losses recognised	686
As at 31 March 2021 and as at 1 April 2021	686
Reversal of impairment losses	(340)
As at 31 March 2022	346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's liquidity position is monitored on a daily basis by management and is reviewed monthly by the directors. The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or, if variable, based on the prevailing interest rate at the end of each reporting period.

	Weighted average rate	Within 1 year or on demand HK\$'000	1-2 year HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
As at 31 March 2022						
Trade and other payables	-	23,723	-	-	23,723	23,723
Amount due to a former shareholder	-	42,964	-	-	42,964	42,964
Bond payables	6.0%	12,483	-	-	12,483	12,000
Lease liabilities	4.3%	157	-	-	157	155
		79,327	-	-	79,327	78,842
	Weighted average rate	Within 1 year or on demand HK\$'000	1-2 year HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
As at 31 March 2021						
Trade and other payables	-	28,273	-	-	28,273	28,273
Amount due to a former shareholder	-	94,964	-	-	94,964	94,964
Bond payables	6.0%	720	12,483	-	13,203	12,000
Lease liabilities	4.3%	269	157	-	426	411
		124,226	12,640	-	136,866	135,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Fair value of financial assets and financial liabilities that are not measured at fair value

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

(ii) Fair value of financial assets and financial liabilities that are measured at fair value

Some of the Group's financial instruments are measured at fair value at the end of the reporting period for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

Fair value hierarchy

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 March 2022

	Level 1 HK\$000	Level 2 HK\$000	Level 3 HK\$000	Total HK\$000
Financial assets:				
Financial assets at FVTPL	36,499	-	-	36,499

As at 31 March 2021

	Level 1 HK\$000	Level 2 HK\$000	Level 3 HK\$000	Total HK\$000
Financial assets:				
Financial assets at FVTPL	32,133	-	-	32,133

During the years ended 31 March 2022 and 2021, there were no transfers between level 1 and level 2, or transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the date in which they incur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. REVENUE

Revenue represents the consideration received and receivable from the provision of civil engineering works and provision of decoration and renovation works.

Disaggregation of revenue from contracts with customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Type of services		
Provision of civil engineering works	64,911	149,936
Provision of decoration and renovation works	27,843	18,364
Revenue from contracts with customers recognised over time	<u>92,754</u>	<u>168,300</u>

Performance obligations for contracts with customers

The Group provides civil engineering works and decoration and renovation works. Such works are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the Group performs. Revenue is recognised for these contract works based on the stage of completion of the contract using output method. Contracts with the Group's customers are agreed in fixed-price.

The Group's contracts include payment schedules which require stage payments over the contract period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits of total contract sum, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset is recognised over the period in which the contract services are performed representing the Group's right to consideration for the services performed because the rights are conditional on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from 0.5 to 2 years (2021: 0.5 to 2 years) from the date of the practical completion of the contract works. The relevant amount of contract assets is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the contract services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. REVENUE (Continued)

Performance obligations for contracts with customers (Continued)

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected turning of recognising revenue are as follows:

31 March 2022

	Civil engineering works HK\$'000	Decoration and renovation works HK\$'000	Total HK\$'000
Within one year	3,362	100,556	103,918
More than one year but not more than two years	–	10,334	10,334
	<u>3,362</u>	<u>110,890</u>	<u>114,252</u>

31 March 2021

	Civil engineering works HK\$'000	Decoration and renovation works HK\$'000	Total HK\$'000
Within one year	–	3,911	3,911
More than one year but not more than two years	–	4,060	4,060
	–	<u>7,971</u>	<u>7,971</u>

9. SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the provision of civil engineering works and decoration and renovation works. This operating segment has been identified on the basis of internal management reports reviewed by the information reported to the executive directors, being the chief operating decision makers (the "CODM"). The CODM mainly reviews revenue derived from the construction works. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, geographical information and major customers, no segment analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

9. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong and all of the Group's revenue were derived from Hong Kong. The Group's non-current assets are located in Hong Kong.

Major customers

Revenue from customers of the years ended 31 March 2022 and 2021 contributed over 10% of the Group's revenue are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer 1	55,662	111,552
Customer 2	26,043	18,364
Customer 3*	N/A	17,813

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Except for disclosed above, no other customer contributing over 10% of total revenue of the Group for both years.

10. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Work-related injury compensation	114	–
Sundry income	5	409
Dividend income	–	17
Government grants	–	6,623
Refund of governance payment	–	985
	119	8,034

During the year ended 31 March 2021, the Group recognised government grants of approximately HK\$6,623,000 in respect of Covid-19-related subsidies which relates to Employment Support Scheme and subsidy for transport trades provided by the Hong Kong Government as a support respectively. There were no unfulfilled conditions or contingencies relating to these government grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. OTHER GAINS OR LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unrealised gain on changes in fair value of financial assets at fair value through profit or loss	1,992	9,358
Gain/(loss) on disposal of property, plant and equipment	90	(11,974)
Realised gain on disposal of financial assets at fair value through profit or loss	-	23
Loss on written-off of property, plant and equipment	(508)	-
Impairment losses recognised in respect of property, plant and equipment	-	(2,621)
	1,574	(5,214)

12. IMPAIRMENT LOSSES RECOGNISED UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment losses recognised/(reversed) on expected credit losses model:		
Trade receivables	11,918	6,464
Contract assets	4	(39)
Deposits and other receivables	(340)	686
	11,582	7,111

13. LOSS BEFORE TAX

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

(a) Finance costs

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on lease liabilities	13	24
Interest on bond payables	720	237
Interest on security brokers	-	8
	733	269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

13. LOSS BEFORE TAX (Continued)

(b) Staff costs (including director's remuneration)

	2022 HK\$'000	2021 HK\$'000
Salaries, wages and other benefits in kind	20,049	37,226
Severance payment	1,057	–
Discretionary bonus	–	135
Retirement benefit scheme contributions	694	1,330
Equity-settled share-based payments expenses	2,567	1,603
	24,367	40,294

(c) Other items

	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration:		
– audit services	399	417
– non-audit services	–	51
Depreciation of property, plant and equipment	142	2,054
Depreciation of right-of-use assets	197	251
Expenses related to short-term leases of premises	–	605
Over-provision of long services payment	(1,144)	(1,079)
Site equipment rental costs related to short-term leases (included in cost of services provided)	6,661	14,983

14. INCOME TAX CREDIT

	2022 HK\$'000	2021 HK\$'000
Deferred tax		
– Current year (note 28)	(61)	(2,380)
Income tax credit	(61)	(2,380)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. INCOME TAX CREDIT (Continued)

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

No provision for Hong Kong Profits Tax has been made for both years as the Group's did not have any assessable profits arising in or derived from Hong Kong.

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

	2022	2021
	HK\$'000	HK\$'000
Loss before tax	(20,208)	(15,510)
Tax at Hong Kong Profits Tax rate of 16.5%	(3,334)	(2,559)
Tax effects of:		
Income not taxable for tax purpose	(329)	(1,547)
Expenses not deductible for tax purpose	3,049	4,212
Temporary differences not recognised	(85)	(2,399)
Estimated tax losses not recognised	638	15
Utilisation of tax losses previously not recognised	-	(102)
Income tax credit	(61)	(2,380)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' remuneration for the year, disclose pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Other emoluments				Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Equity-settled share-based payments expenses HK\$'000	
2022					
Executive directors					
Mr. So Kwok Hung (<i>resigned on 31 May 2022</i>) (<i>chairman</i>)	180	1	-	-	181
Ms. Yu Xiao	180	-	-	-	180
Independent non-executive directors					
Mr. Wong Chi Kan	120	-	-	-	120
Ms. Lao In Lam (<i>appointed on 18 August 2020</i>)	96	-	-	-	96
Mr. Liao Honghao	102	-	-	-	102
	678	1	-	-	679
2021					
Executive directors					
Mr. So Kwok Hung (<i>resigned on 31 May 2022</i>) (<i>chairman</i>)	180	-	-	160	340
Ms. Yu Xiao	180	-	-	160	340
Independent non-executive directors					
Mr. Wong Chi Kan	120	-	-	160	280
Mr. Tai Hin Henry (<i>resigned on 18 August 2020</i>)	46	-	-	-	46
Ms. Lao In Lam (<i>appointed on 18 August 2020</i>)	35	-	-	160	195
Mr. Liao Honghao	102	-	-	160	262
	663	-	-	800	1,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

During the year ended 31 March 2021, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 31 to the consolidated financial statements.

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

The independent non-executive directors' emoluments shown above were for their services as the directors.

No emoluments were paid by the Group to the directors or as an inducement to join or upon joining the Group or as compensation for loss of office for both years. There were no directors have waived or agreed to waive any emoluments for both years.

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its parent company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year do not include any director as of 31 March 2022 (2021: Nil) whose emoluments are disclosed above. Details of the emoluments of the remaining five (2021: five) highest paid individuals are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries, wages and other benefits in kind	4,084	4,942
Discretionary bonuses	–	135
Retirement benefit scheme contributions	72	51
	4,156	5,128

The emoluments of the remaining five (2021: five) highest paid individuals are within the following bands:

	2022 Number of individuals	2021 Number of individuals
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	1	2
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals (Continued)

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. There were no five highest paid individuals have waived or agreed to waive any emoluments for both years.

16. DIVIDENDS

No dividend was declared or paid by the Company to its shareholders during the year (2021: Nil), nor has any dividend been declared subsequent to the end of the reporting period.

17. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	(20,147)	(13,130)
	2022 '000	2021 '000 (Restated)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	200,744	99,205

The weighted average number of ordinary shares for the year ended 31 March 2021 for the purposes of calculating basic loss per share have been adjusted for the share consolidation and issue of new shares by way of rights issue which took place on 13 September 2021 and 29 October 2021 respectively.

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic loss per share computation for both years, the exercise of the above potential dilutive shares is not assumed in the computation of diluted loss per share for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Furniture and equipment HK\$'000	Site equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST:					
As at 1 April 2020	1,608	1,834	43,708	10,935	58,085
Disposals	–	(3)	(35,417)	–	(35,420)
As at 31 March 2021 and as at 1 April 2021	1,608	1,831	8,291	10,935	22,665
Disposals	–	–	–	(240)	(240)
Written-off	–	(1,831)	–	–	(1,831)
As at 31 March 2022	1,608	–	8,291	10,695	20,594
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
As at 1 April 2020	1,045	1,121	24,659	9,189	36,014
Charge for the year	80	141	708	1,125	2,054
Impairment losses recognised	–	–	2,000	621	2,621
Written back upon disposals	–	(1)	(19,076)	–	(19,077)
As at 31 March 2021 and as at 1 April 2021	1,125	1,261	8,291	10,935	21,612
Charge for the year	80	62	–	–	142
Written back upon disposals	–	–	–	(240)	(240)
Written-off	–	(1,323)	–	–	(1,323)
As at 31 March 2022	1,205	–	8,291	10,695	20,191
CARRYING AMOUNTS:					
As at 31 March 2022	403	–	–	–	403
As at 31 March 2021	483	570	–	–	1,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

In addition, the Group owns a office premises for daily operations. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned property is presented separately only if the payments made can be allocated reliably.

As at 31 March 2022 and 2021, the Group's land and building were located in Hong Kong under medium-term lease.

Impairment assessment on property, plant and equipment

As the Group incurred a gross loss for recent years of the Group's CGU related to provision of civil engineering works operations, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of property, plant and equipment with carrying amounts of HK\$403,000 (2021: HK\$1,053,000), after taking into account the impairment losses of nil (2021: HK\$2,621,000) for the year ended 31 March 2022. The Group estimates the recoverable amount of the CGU of provision of civil engineering works operations to which the assets belongs when it is not possible to estimate the recoverable amount individually.

As at 31 March 2022, the recoverable amounts of the property, plant and equipment have been determined based on their fair value less costs of disposal. The Group uses market approach where appropriate to estimate the fair value less costs of disposal of the assets which is based on the recent transaction prices for similar property, plant and equipment adjusted for their nature, location and conditions. The fair value measurement is categorised into Level 3 fair value hierarchy.

As at 31 March 2021, the recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 14.2% as at 31 March 2021. The growth rate is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are using 3% growth rate. The growth rates and discount rate have been reassessed as at 31 March 2021 taking into consideration higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's civil engineering works operations.

The impairment amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero for the year ended 31 March 2021. Based on the result of above impairment assessments, no impairment losses (2021: HK\$2,621,000) has been recognised in respect of property, plant and equipment for the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

19. RIGHT-OF-USE ASSETS

	Leased properties <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
As at 1 April 2020	215	871	1,086
Termination of lease	(215)	–	(215)
As at 31 March 2021, as at 1 April 2021 and as at 31 March 2022	–	871	871
Accumulated depreciation:			
As at 1 April 2020	161	197	358
Charge for the year	54	197	251
Termination of lease	(215)	–	(215)
As at 31 March 2021 and as at 1 April 2021	–	394	394
Charge for the year	–	197	197
As at 31 March 2022	–	591	591
Carrying amounts:			
As at 31 March 2022	–	280	280
As at 31 March 2021	–	477	477
		2022	2021
		HK\$'000	<i>HK\$'000</i>
Total cash outflow for leases		6,930	15,899

The Group entered into a lease contracts for offices and motor vehicle which for fixed term of 2 to 4 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office, site equipment and warehouse. As at 31 March 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 13 to the consolidated financial statement. As at 31 March 2022 and 31 March 2021, there is no outstanding lease commitments relating to short-term leases.

In addition, lease liabilities of approximately HK\$155,000 are recognised with related right-of-use assets of approximately HK\$280,000 as at 31 March 2022 (2021: lease liabilities of approximately HK\$411,000 and related right-of-use assets of HK\$477,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

20. INTERESTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and operation	Type of legal entity	Particulars of issued and paid up capital	Equity interest held by the Company	Principal activity
Super Pioneer Trading Limited ("Super Pioneer")	British Virgin Islands	Limited liability company	5 ordinary shares of US\$1 each	100%# (2021: 100%#)	Investment holding
Luen Hing Construction & Eng. Limited ("Luen Hing")	Hong Kong	Limited liability company	9,280,000 ordinary shares	100% (2021: 100%)	Provision of civil engineering works
Hop Fung Construction & Engineering Company Limited ("Hop Fung")	Hong Kong	Limited liability company	4,940,000 ordinary shares	100% (2021: 100%)	Provision of civil engineering works
Mullen Building Limited ("Mullen")	Hong Kong	Limited liability company	10,000 ordinary shares	100%# (2021: 100%#)	Provision of decoration and renovation works
LW International Trading Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100% (2021: nil)	Dormant

The issued capital of Super Pioneer and Mullen were held by the Company directly.

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

21. CONTRACT ASSETS, CONTRACT COST AND CONTRACT LIABILITIES

(a) Contract assets

	2022 HK\$'000	2021 HK\$'000
Contract assets		
Retention receivables of construction contracts	39,689	41,150
Less: allowances for credit losses	(33)	(29)
	39,656	41,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

21. CONTRACT ASSETS, CONTRACT COST AND CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

As at 1 April 2020, contract assets (before allowance for credit losses) amounted to approximately HK\$45,439,000.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a twelve-months retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The amount of contract assets (net of allowance for credit losses) that is expected to be recovered after more than one year is approximately HK\$29,765,000 (2021: HK\$39,721,000), all of which relates to retention receivables. The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment are set out in note 6 to the consolidated financial statements.

(b) Contract cost

Contract cost capitalised related to the deposit paid to the subcontractors who performing the construction services which is still in progress at the end of the reporting date. Contract cost is recognised as part of cost of services provided in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related construction services is recognised. There was no impairment in relation to the cost capitalised during the year ended 31 March 2022.

During the year 31 March 2022, contract cost with the amounts of approximately HK\$3,400,000 (2021: nil) was related to deposits paid to subcontractors in relation to costs to fulfill contracts and are expected to be recognised as cost of services provided within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

21. CONTRACT ASSETS, CONTRACT COST AND CONTRACT LIABILITIES (Continued)

(c) Contract liabilities

The contract liabilities primarily relate to the advanced payment received from customers, for which revenue is recognised based on the progress of the provision of related services.

Contract liabilities of the Group, which are expected to be settled within the Group's normal operating cycle, are classified under current liabilities.

During the year 31 March 2022, contract liabilities of approximately HK\$3,400,000 (2021: nil) was advance payment from customers for the construction work and are expected to be recognised as revenue within one year.

22. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contracts with customers	68,649	74,496
Less: allowances for credit losses	(18,554)	(6,636)
	50,095	67,860
Receivables from securities brokers	203	77
Deposits for surety bonds	3,154	2,814
Other receivables, deposits and prepayment	2,456	2,098
	55,908	72,849
Less: prepayment classified as non-current portion	(667)	–
	55,241	72,849

Receivables from a securities broker earn interests at floating rates based on daily deposits rates.

As at 1 April 2020, trade receivables from contracts with customers (before allowance for credit losses) amounted to approximately HK\$115,500,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

22. TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of trade receivables (net of allowance for credit losses) based on invoice date is as follows:

	2022	2021
	HK\$'000	HK\$'000
0 – 30 days	6,444	13,609
31 – 60 days	1,443	2,069
61 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	1,772	48,388
Over 365 days	40,436	3,794
	50,095	67,860

The Group usually grants customers a credit period of 30-45 days. The Group did not hold any collateral as security or other credit enhancements over the trade and other receivables and no interest is charged on trade receivables.

Trade receivables with carrying amounts of approximately HK\$43,945,000 (2021: HK\$60,993,000) (net of allowance for credit losses) are past due at the end of the reporting period. Out of the past due balances, HK\$40,436,000 (2021: HK\$3,794,000) (net of allowance for credit losses) has been past due more than 1 year and is not considered as default because of no recent history of default and the directors are in opinion of these balances are still considered as collectible.

Details of impairment assessment are set out in note 6 to the consolidated financial statements.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	HK\$'000	HK\$'000
Listed securities classified as held for trading investments:		
– Equity securities listed in Hong Kong	36,499	32,133

At the end of the reporting period, all financial assets at FVTPL are stated at fair values. Fair values of listed securities classified as held for trading investments are determined with reference to quoted market closing prices.

Details of the fair value measurement of the Group's investments in listed securities are disclosed in note 7 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

24. CASH AND BANK BALANCES

	2022 HK\$'000	2021 <i>HK\$'000</i>
Cash and bank balances	8,201	15,572

Cash in banks earn interests at floating rates based on daily bank deposit rates.

For the years ended 31 March 2022 and 2021, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant, no allowance for ECL is provided for the years.

(a) Reconciliation of liabilities arising from financing activities

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

	Interest payables HK\$'000	Bond payables HK\$'000	Amount due to a former shareholder HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2020	–	–	132,888	698	133,586
Changes from financing cash flows:					
Proceed from issue of bond payables	–	12,000	–	–	12,000
Financing cash outflow	(8)	–	(37,924)	(311)	(38,243)
Non-cash changes:					
Finance cost recognised (<i>note 13</i>)	245	–	–	24	269
As at 31 March 2021 and as at 1 April 2021	237	12,000	94,964	411	107,612
Changes from financing cash flows:					
Financing cash outflow	–	–	(41,010)	(269)	(41,279)
Non-cash changes:					
Settled by surety bonds	–	–	(10,990)	–	(10,990)
Finance cost recognised (<i>note 13</i>)	720	–	–	13	733
As at 31 March 2022	957	12,000	42,964	155	56,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. TRADE AND OTHER PAYABLES

	2022	2021
	HK\$'000	HK\$'000
Trade payables	8,613	7,297
Retention monies payables	11,171	9,320
Provision for long services payment	965	2,109
Amounts due to directors of certain subsidiaries	1,145	8,579
Accruals and other payables	2,794	3,077
	24,688	30,382

Retention monies payable in relation to the release of retention vary from contract to contract, which usually within 1-2 years and subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

Accruals and other payables mainly consist of accrued staff costs of HK\$732,000 (2021: HK\$2,008,000) and accrued interest expenses of HK\$957,000 (2021: HK\$237,000).

The amounts due to directors of certain subsidiaries were unsecured, interest-free and repayable on demand.

The aging analysis of trade payables based on invoice date is as follows:

	2022	2021
	HK\$'000	HK\$'000
0 – 30 days	5,724	5,249
31 – 60 days	585	1,937
61 – 90 days	292	–
Over 90 days	2,012	111
	8,613	7,297

The credit period normally granted by its suppliers up to 30 days.

26. AMOUNT DUE TO A FORMER SHAREHOLDER

The amount due is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

27. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Within one year	155	256
In the second to fifth years, inclusive	<u>-</u>	<u>155</u>
	155	411
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>(155)</u>	<u>(256)</u>
Amounts due for settlement after 12 months	<u>-</u>	<u>155</u>

The incremental borrowing rate was 4.3% (2021: 4.3%).

28. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 April 2020	2,448	(7)	2,441
(Credited)/charged to the profit or loss (<i>note 14</i>)	<u>(2,387)</u>	<u>7</u>	<u>(2,380)</u>
As at 31 March 2021 and as at 1 April 2021	61	-	61
Credited to the profit or loss (<i>note 14</i>)	<u>(61)</u>	<u>-</u>	<u>(61)</u>
As at 31 March 2022	<u>-</u>	<u>-</u>	<u>-</u>

The directors perform periodic assessment on the probability that future taxable profits will be available which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidences were considered, including whether it is probable that the operations will have sufficient future taxable profits which the deferred tax assets can be deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

28. DEFERRED TAX LIABILITIES (Continued)

During the year ended 31 March 2021, amounts of approximately HK\$7,000 represent the deferred tax balance of tax losses were charged to profit or loss.

No deferred tax asset has been recognised for both years in respect of tax losses approximately of HK\$62,358,000 (2021: HK\$58,491,000) due to the unpredictability of future profit streams and the unrecognised tax losses could be carried forward indefinitely.

29. BOND PAYABLES

Bond payables were unsecured, interest bearing at 6% per annum and repayable on 2 December 2022 which were the date after 2 years from drawdown date.

30. SHARE CAPITAL

	<i>Notes</i>	Number of shares <i>'000</i>	Nominal value of shares <i>HK\$'000</i>
Authorised:			
Share capital of HK\$0.16 (2021: HK\$0.04) each		2,000,000	80,000
As at 1 April 2020, as at 31 March 2021 and as at 1 April 2021		(1,500,000)	–
Share consolidation	<i>(c)</i>	<u> </u>	<u> </u>
As at 31 March 2022		<u>500,000</u>	<u>80,000</u>
Issued and fully paid:			
As at 1 April 2020		312,000	12,480
Placing of new shares	<i>(a)</i>	<u>62,400</u>	<u>2,496</u>
As at 31 March 2021 and as at 1 April 2021		374,400	14,976
Exercise of share options	<i>(b)</i>	28,080	1,123
Share consolidation	<i>(c)</i>	(301,860)	–
Issue of new shares by way of rights issue	<i>(d)</i>	<u>201,240</u>	<u>32,199</u>
As at 31 March 2022		<u>301,860</u>	<u>48,298</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

30. SHARE CAPITAL (Continued)

Notes:

- (a) On 7 September 2020, the Company completed to issue and allot 62,400,000 placing shares at a placing price of HK\$0.085 per share. The net proceeds of approximately HK\$5,066,000 will be used for general working capital purposes and improve the cash position of the Group which then can help establishing and strengthening the existing and future business of the Group.
- (b) During the year ended 31 March 2022, certain share option holders exercised their option right to subscribe for 28,080,000 ordinary shares at exercise price of HK\$0.09 per share.
- (c) At a extraordinary general meeting of the Company held on 9 September 2021, an ordinary resolution was passed to approve the share consolidation of every four issued and unissued existing shares of HK\$0.04 each into one consolidated share of HK\$0.16 each of the Company (the "Consolidated Share").

The capital reorganisation were effected on 13 September 2021.

- (d) On 29 October 2021, the Company allotted and issued 201,240,000 new ordinary shares at a subscription price of HK\$0.26 per share by way of rights issue (the "Rights Issue") to the qualifying shareholder of the Company on the basis of two rights share for every one Consolidated Share held on 23 September 2021. The net proceeds from the Rights Issue of approximately HK\$50,806,000 will be used to repay the amount due to a former shareholder and acquisition of surety bonds for the new projects for the Group.

31. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 24 March 2016 for the primary purpose of providing incentives to directors of the Company, eligible employees and consultants, and will expire on 10 July 2024. Under the Scheme, the board of directors of the Company may grant options to consultants and employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

As at 31 March 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,866,340 (2021: 56,160,000), representing 9.2% (2021: 15%) of the share of the Company in issue at that date.

Details of the share options granted are as follows:

Date of grant	Vesting date	Exercise period	Exercise price	Closing price of the share immediately before the date of grant
11 July 2019	11 July 2019	5 year from the date of grant	HK\$0.404	HK\$0.404
18 August 2020	18 August 2020	5 year from the date of grant	HK\$0.09	HK\$0.09
12 July 2021	12 July 2021	5 year from the date of grant	HK\$0.09	HK\$0.09
18 March 2022	18 March 2022	5 year from the date of grant	HK\$0.163	HK\$0.162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

	Date of grant	Exercise price per option* HK\$	Exercise period	Balance as at 1 April 2020	Granted during the year	Lapsed during the year	Balance as at 31 March 2021 and as at 1 April 2021	Adjustment during the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 March 2022
Directors												
So Kwok Hung	11 July 2019	1.414	5 years from the date of grant	3,120,000	-	-	3,120,000	(2,228,460)	-	-	-	891,540
	18 August 2020	0.090	5 years from the date of grant	-	3,120,000	-	3,120,000	-	-	(3,120,000)	-	-
Yu Xiao	11 July 2019	1.414	5 years from the date of grant	3,120,000	-	-	3,120,000	(2,228,460)	-	-	-	891,540
	18 August 2020	0.090	5 years from the date of grant	-	3,120,000	-	3,120,000	-	-	(3,120,000)	-	-
Wong Chi Kan	18 August 2020	0.090	5 years from the date of grant	-	3,120,000	-	3,120,000	-	-	(3,120,000)	-	-
Liao Honghao	18 August 2020	0.090	5 years from the date of grant	-	3,120,000	-	3,120,000	-	-	(3,120,000)	-	-
Lao In lam	18 August 2020	0.090	5 years from the date of grant	-	3,120,000	-	3,120,000	-	-	(3,120,000)	-	-
Other employees												
	11 July 2019	1.414	5 years from the date of grant	15,600,000	-	(3,120,000)	12,480,000	(8,913,840)	-	-	-	3,566,160
	18 August 2020	0.090	5 years from the date of grant	-	15,600,000	(3,120,000)	12,480,000	-	-	(12,480,000)	-	-
	12 July 2021	0.315	5 years from the date of grant	-	-	-	-	(26,741,520)	37,440,000	-	-	10,698,480
	18 March 2022	0.163	5 years from the date of grant	-	-	-	-	-	9,144,000	-	-	9,144,000
Consultants												
	11 July 2019	1.414	5 years from the date of grant	9,360,000	-	-	9,360,000	(6,685,380)	-	-	-	2,674,620
Total				31,200,000	31,200,000	(6,240,000)	56,160,000	(46,797,660)	46,584,000	(28,080,000)	-	27,866,340
Exercisable at the end of the reporting period							56,160,000					27,866,340
				HK\$	HK\$	HK\$	HK\$		HK\$	HK\$	HK\$	HK\$
Weighted average exercise price				-	0.247	-	0.247		0.104	0.090	-	0.204

* The exercise prices and numbers of share options have been adjusted with effect from 13 September 2021 and from 29 October 2021 due to the capital reorganisation and the Rights Issue respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

The fair value was calculated using the binomial model. The inputs into the model were as follows:

	18 March 2022	12 July 2021	18 August 2020	11 July 2019
Exercise price (HK\$)	0.163	0.090	0.090	0.404
Expected volatility (%)	129.070	132.782	148.191	62.011
Expected life (years)	5	5	5	5
Risk-free rate (%)	1,801	0.564	0.266	1,449
Expected dividend yield (%)	–	–	–	–

Expected volatility was determined by using the historical volatility of other companies' share price over the previous 5 years (2021: 5 years). The expected life used in the model has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK\$1,782,000 and HK\$785,000 for the share options granted on 12 July 2021 and 18 March 2022 (2021: HK\$1,603,000) in relation to share option granted by the Company respectively.

32. RESERVES

The amounts of the Group's reserves and the movements during the year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Share-based payment reserve

Share-based payment reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised in administrative and other operating expenses with a corresponding increase in the share-based payment reserve.

Other reserve

Other reserve represents the reserve arising from the loan capitalisation of Luen Hing and Hop Fung on 21 March 2016.

Capital reserve

Capital reserve represents the difference between the nominal values of the share capital of subsidiaries acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES		
Non-current asset		
Investments in subsidiaries	684	26,481
Prepayment	667	–
	<u>1,351</u>	<u>26,481</u>
Current assets		
Prepayment and other receivables	1,006	213
Amounts due from subsidiaries	23,483	63,658
Financial assets at fair value through profit or loss	36,499	32,133
Bank balances	4,779	2,263
	<u>65,767</u>	<u>98,267</u>
Current liabilities		
Accruals	1,738	821
Amount due to a former shareholder	43,000	95,000
Bond payables	12,000	–
	<u>56,738</u>	<u>95,821</u>
Net current assets	<u>9,029</u>	<u>2,446</u>
Total assets less current liabilities	<u>10,380</u>	<u>28,927</u>
Non-current liability		
Bond payables	–	12,000
Net assets	<u>10,380</u>	<u>16,927</u>
CAPITAL AND RESERVES		
Share capital	48,298	14,976
Reserves	(37,918)	1,951
Total equity	<u>10,380</u>	<u>16,927</u>

Signed on behalf of the board by:

Lau Wing Yu
Director

Yu Xiao
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

The movements of the Company's reserves are as follows:

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 April 2020	12,480	36,672	4,329	(31,381)	22,100
Loss and total comprehensive expense for the year	–	–	–	(11,842)	(11,842)
Placing of new shares	2,496	2,808	–	–	5,304
Share issuing expenses	–	(238)	–	–	(238)
Grant of share options	–	–	1,603	–	1,603
Lapse of shares options	–	–	(594)	594	–
As at 31 March 2021 and as at 1 April 2021	14,976	39,242	5,338	(42,629)	16,927
Loss and total comprehensive expense for the year	–	–	–	(62,447)	(62,447)
Issue of new shares by way of rights issue	32,199	20,123	–	–	52,322
Share issuing expenses	–	(1,516)	–	–	(1,516)
Grant of share options	–	–	2,567	–	2,567
Exercise of shares options	1,123	2,847	(1,443)	–	2,527
As at 31 March 2022	48,298	60,696	6,462	(105,076)	10,380

34. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

The emoluments of the key management personnel during the current and prior years are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries, wages and other benefits in kind	679	663
Retirement benefit scheme contributions	–	–
Equity-settled share-based payments expenses	–	800
	679	1,463

The remuneration of the directors and key management personnel is determined by the remuneration committee regarded to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

35. CONTINGENT LIABILITIES

The Group is the defendant of certain outstanding litigation cases in respect of alleged violations of certain safety and health regulations and accidents and the court has not yet made the judgment up to the date of this report. Having taking into of the information available and the latest development of these cases, the directors are of the opinion that it is not possible to determine the outcome and hence no provision has been made to the consolidated financial statements.

36. MAJOR NON-CASH TRANSACTIONS

The Group entered into the following major non-cash investing activities which are not reflected in the consolidated statement of cash flows:

During the year ended 31 March 2022, the Group settled amount due to a former shareholder with the amounts of approximately HK\$10,990,000 by way of settlement with surety bonds paid by the Group.

37. EVENTS AFTER THE REPORTING PERIOD

Cancellation of MPF offsetting mechanism

On 9 June 2022, the third reading of a bill for cancelling the Mandatory Provident Fund (“MPF”) offsetting mechanism (the “MPF Bill”) was passed in the Legislative Council. After the MPF Bill takes effect, employers can no longer offset employees’ severance payments or long-service payments against the MPF derived from the employer’s mandatory and voluntary contributions. The offsetting mechanism will be cancelled starting from 2025.

The matter mentioned above will have impact to the Group’s provision for long service payments (“LSP”). Upon the MPF offsetting mechanism is cancelled, the Group can no longer deduct LSP from their portion of MPF contributions. The abolition of the offsetting arrangement has no retrospective effect.

As at the date of the issue of the consolidated financial statements, the exact effective date of the abolition is yet to be determined and the details arrangement is yet to be announced by the government. This is a non-adjusting event after the reporting period as the event did not relate to the obligation of the LSP at the end of the reporting period, but reflects the circumstances (i.e. the law) that have arisen subsequently.

The Group has already commenced an assessment of the impact of the MPF Bill to the Group. The Group is not yet in a position to state whether the abolishment of the MPF offsetting mechanism will result in a substantial change to the Group’s consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March				2022 HK\$'000
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	
CONSOLIDATED RESULTS					
Revenue	708,595	432,842	354,884	168,300	92,754
Loss before tax	(2,673)	(6,568)	(56,388)	(15,510)	(20,208)
Income tax (expense)/credit	(219)	520	821	2,380	61
Loss and total comprehensive expense for the year attributable to owners of the Company	<u>(2,892)</u>	<u>(6,048)</u>	<u>(55,567)</u>	<u>(13,130)</u>	<u>(20,147)</u>

	As at 31 March				2022 HK\$'000
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	348,315	262,981	215,147	163,205	144,347
Total liabilities	<u>(244,837)</u>	<u>(180,522)</u>	<u>(183,926)</u>	<u>(138,445)</u>	<u>(83,834)</u>
Net assets	<u>103,478</u>	<u>82,459</u>	<u>31,221</u>	<u>24,760</u>	<u>60,513</u>