

# Progressive Path Group Holdings Limited 進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1581

## ANNUAL REPORT

# 2021

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Wu Wing Hang (*Chairman*)  
Mr. Chan Tak Ming

#### *Independent Non-executive Directors*

Mr. Wong Yiu Kit Ernest  
Mr. Lee Man Tai  
Mr. Leung Ka Fai

### AUDIT COMMITTEE

Mr. Lee Man Tai (*Chairman*)  
Mr. Wong Yiu Kit Ernest  
Mr. Leung Ka Fai

### NOMINATION COMMITTEE

Mr. Leung Ka Fai (*Chairman*)  
Mr. Wu Wing Hang  
Mr. Wong Yiu Kit Ernest

### REMUNERATION COMMITTEE

Mr. Wong Yiu Kit Ernest (*Chairman*)  
Mr. Wu Wing Hang  
Mr. Lee Man Tai

### COMPANY SECRETARY

Ms. Lee Ying Ying

### AUTHORISED REPRESENTATIVES

Mr. Wu Wing Hang  
Ms. Lee Ying Ying

### HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1108, 11/F.  
Tuen Mun Central Square  
No. 22 Hoi Wing Road  
Tuen Mun  
New Territories  
Hong Kong

### REGISTERED OFFICE

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

### AUDITOR

SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

### COMPANY'S WEBSITE

[www.ppgh.com.hk](http://www.ppgh.com.hk)

### STOCK CODE

1581

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Director") of Progressive Path Group Holdings Limited (the "Company"), it is my pleasure to present to you the 2021 annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2021 (the "Year").

The Group's revenue increased by approximately 39.6% to approximately HK\$435.6 million for the Year as compared to approximately HK\$312.1 million for the year ended 31 March 2020. The Group's loss attributable to owners of the Company decreased from approximately HK\$15.6 million for the year ended 31 March 2020 to profit attributable to owners of the Company of approximately HK\$3.7 million for the Year. Such turnaround from loss to profit during the Year were mainly due to (i) a substantial increase in revenue for the Year as a result of some new projects undertaken by the Group and some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system at Chek Lap Kok Airport and Tung Chung New Town Extension, have increasing demand on rental of our machinery fleet during the Year; and (ii) an increase in other income mainly from recognition of non-recurring government grants under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government during the Year.

Notwithstanding the COVID-19 pandemic has brought economic uncertainty to Hong Kong and negatively affected the construction industry, the Group has awarded two new projects and nine contracts from existing projects with an aggregate sum of approximately HK\$251.7 million during the Year. In order to secure higher tender success rate, the Group has used lower bidding prices to tender the new projects, namely Temporary Quarantine Facilities at Penny's Bay (Phase IIIA) and Tseung Kwan O-Lam Tin Tunnel during the Year.

Looking ahead, the Group will continue to focus on its core business of foundation and site formation construction work and construction machinery rental business. Meanwhile, the Group will keep to improve the cost control in order to enhance its comprehensive competitive. The Board believes that the Group's business strategies and industry expertise can create and contribute greater value to shareholders and investors and we are optimistically confident in the long-term development of the foundation industry and of our Group's sustainable growth in the future.

On behalf of the Board, I would like to take this opportunity to express my gratitude to the Group's management team and staff members for their continuous dedication and contribution to the Group over the years. I would also offer my heartfelt thanks to the Group's business partners for their support and trust. Last but not least, I convey my appreciation for the support of the shareholders.

**Wu Wing Hang**  
*Chairman*

Hong Kong, 28 June 2021

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

The COVID-19 pandemic continues to affect communities and businesses around the world, including Hong Kong, which causing a negative effect on the recovering construction industry. During the Year, Hong Kong continued to implement social distancing measures and occasionally lockdown some construction sites. With the weakening of market sentiment, Hong Kong's construction market continues to undergo adjustments. The market competition is still very fierce, which further depresses our profit margin with lowering the bidding prices for contracts in order to maintain our competitiveness in the market.

However, the construction market situation is set to be reversed in coming years following a major announcement from Hong Kong Special Administrative Region (the "HKSAR") government with a planned acceleration investment in public works, it is much-needed for the struggling construction sector to pull Hong Kong out of recession and revive the economy. It is expected that large projects in rail lines, roads, and housing, etc will commence in the future. In addition to the planned spending, there are still large infrastructure projects ongoing, for example, the Third Runway projects at Hong Kong International Airport.

### BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) construction works; and (ii) the provision of construction machinery rental services. Our construction machinery rental services represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental services. Our construction works represent the construction projects undertaken by us, the nature of which are broadly classified as foundation and site formation works, and builder's work and general building works.

As the Group has faced difficulties in identifying potential customers in trading of construction machinery business, the operating segment of trading of construction machinery has been discontinued and ceased during the Year.

The overall performance was greatly improved due to certain new foundation projects commenced during the Year and the improvement of the construction machinery rental business as a result of the increasing demand from some of the infrastructure and reclamation projects in Hong Kong. Moreover, the HKSAR government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the Group has received non-recurring government grants in respect of COVID-19-related subsidies during the Year.

Going forward, we will continue to focus on developing our business by undertaking new construction projects and rental arrangements of construction machinery in Hong Kong.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following highlights are the principal risks and uncertainties identified by the Group. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

#### *Operational Risks*

Due to unexpected circumstances such as bad weather and geological issues, the actual time and costs incurred in construction projects may exceed our estimation at the time of tendering submission and the work in progress may be interrupted. As the result, such variances could adversely affect the Group's operations and financial results. In such situations, the Group will implement measures such as re-allocating human resources and recruiting additional manpower including subcontracting the works in order to expediate the work progress.

On the other hand, chance of industrial accident is inevitable. In order to minimize the rate of accidents, the Group has recruited a qualified safety officer to regularly monitor the work environment, implement of safety rules and regulations and establish safety policies. In addition, the Group also appointed a registered safety auditor to conduct corporate safety audit semi-annually to maximize the effectiveness of safety management.

It is quite common in the construction industry that the settlement of the receivables take relatively a longer period of time by our customers especially at the times of unexpected crises due to economic factors. To mitigate the pressure of financial liquidity, the Group prepares aging analysis on a regular basis and communicates with the management level of the customers so as to get better understanding of their solvency status.

#### *Market Risks*

Due to the construction industry in Hong Kong is dominantly subject to Government's large-scale infrastructure projects and such projects required pro-longed process of legislative approval, it is more passive toward the future's prospect of the industry. Nevertheless, the Group will not just rely on participating in projects from public sector, we will also be more involved in projects from private sectors.

In the meantime, demand of residential and commercial buildings is growing continuously. We perceived that such demand will sustain the booming in the construction industry and attract more competitive entrants to the industry. In order to grip holding of our market shares, we have acquired new fleets of machinery during the year to cope with the demand. With our in-depth experience and knowledge in the field, we are capable to continue providing one-stop construction machinery service to meet the needs of various customers.

However, construction machinery rental service is constraint by the rules and regulations imposed by the Environmental Protection and Labour Department of HKSAR. New legal challenges and policies could be released due to the change of environmental and social issues. Such changes will lead to an increase of cost and burden for the Group. In light of such potential risk, we have acquired new environmental type of machinery to replace the old ones so to meet the environmental requirements and protect the public health.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE

During the Year, the Group had revenue generated from construction works and construction machinery rental. Set out below is the breakdown of revenue of the Group during the Year and the year ended 31 March 2020:

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Construction works	194,450	118,353
Construction machinery rental	241,144	193,721
	435,594	312,074

#### Revenue from construction works

During the Year, the revenue derived from our eight projects (2020: seven projects) amounted to approximately HK\$194.5 million (2020: HK\$118.4 million), accounting for approximately 44.6% (2020: 37.9%) of our total revenue. Such increase in revenue was the results of revenue in construction works contributed by the construction projects mainly from Anderson Road Quarry Site, Kai Tak Sports Park and Temporary Quarantine Facilities at Penny's Bay during the Year. The Group had awarded two new projects and nine contracts from existing projects during the Year. The Group has been actively participating in tenders for new public and private construction projects.

As at 31 March 2021, there were six projects on hand with total outstanding contract sum amounting to HK\$148.1 million. Five projects are expected to be completed in the year ending 31 March 2022, one project is expected to be completed in the year ending 31 March 2023 and none of them is expected to have any material interruption.

Below set out a list of projects during the Year:

Site Location/Project	Type of Works	Status
Tuen Mun	Builder's work and general building works	Completed
Anderson Road Quarry Site	Foundation and site formation works	Work in progress
HK-ZH-Macau bridge Hong Kong Boundary Crossing Facilities – Vehicle Clearance Plazas and Ancillary Buildings and Facilities	Foundation and site formation works	Completed
Yau Tong	Foundation and site formation works	Work in progress
Tuen Mun – Chek Lap Kok Link – Northern Connection Sub-sea Tunnel Section	Foundation and site formation works	Work in progress
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Work in progress

## MANAGEMENT DISCUSSION AND ANALYSIS

Site Location/Project	Type of Works	Status
Ap Lei Chau Inland Lot No. 136	Foundation and site formation works	Work in progress
Kai Tak Sports Park	Foundation and site formation works	Work in progress
Temporary Quarantine Facilities at Penny's Bay (Phase IIIA)	Foundation and site formation works	Completed
Tseung Kwan O – Lam Tin Tunnel	Foundation and site formation works	Completed

### Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK\$241.1 million (2020: HK\$193.7 million), accounting for approximately 55.4% (2020: 62.1%) of our total revenue. The substantial increase in construction machinery rental revenue of the Group was mainly the result of some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system at Chek Lap Kok Airport and Tung Chung New Town Extension, have been in progress during the Year, thus, have increasing demand on our machinery fleet on those sites.

### GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit increased by approximately HK\$8.6 million, from gross profit of approximately HK\$13.3 million for the year ended 31 March 2020 to approximately HK\$21.9 million for the Year while the gross profit margin increased by approximately 0.7% as compared with previous year. The increase in gross profit margin was mainly attributable to (i) the increase in the revenue from construction machinery rental during the Year; and (ii) the increase gross profit margin with higher average rental price of our fleet of machinery; partially set-off by the adverse effect in (i) lower gross profit margin derived from the new projects undertaken by the Group due to keen competition with market competitors; and (ii) the additional construction costs were incurred in certain projects which towards the ending phase during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	2021		2020	
	Gross Profit HK\$'000	Gross Profit Margin	Gross Profit HK\$'000	Gross Profit Margin
Construction works	4,374	2.2%	5,322	4.5%
Construction machinery rental	17,543	7.3%	8,013	4.1%
	21,917	5.0%	13,335	4.3%



## MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER INCOME

The other income of the Group for the Year amounted to approximately HK\$16.0 million, representing an increase of approximately 255.9% compared with approximately HK\$4.5 million for the previous year. Such increase is mainly due to the recognition of non-recurring government grants of approximately HK13.0 million mainly from the Anti-epidemic Fund launched by the HKSAR government during the Year, while no such income was recognised for the previous year.

### ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK\$21.8 million, representing an increase of approximately 2.7% compared with approximately HK\$21.3 million for the previous year. Such increase is mainly attributable to the increase in administrative staff costs.

### (REVERSAL OF) LOSS ALLOWANCE ON TRADE RECEIVABLES AND CONTRACT ASSETS

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Reversal of loss allowance on trade receivables	–	(6,557)
Loss allowance on trade receivables	7,746	10,190
Loss allowance on contract assets	1,366	1,060

The net effect of loss allowance on trade receivables and contract assets for the Year amounted to approximately HK\$9.1 million as compared to net effect of HK\$4.7 million for the previous year. The increase in the loss allowance is mainly due to the default risk has increased globally because of the outbreak of COVID-19.

### NET PROFIT/(LOSS)

Profit after tax is approximately HK\$3.7 million for the Year as compared to loss of approximately HK\$15.6 million for the previous year. The turnaround from loss to profit is mainly attributable to the substantial increase in all revenue line and the recognition of non-recurring government grants during the Year.

### TREASURY POLICY

It is the Group's policy to adopt a prudent approach towards its cash management policies and thus maintained a healthy liquidity position throughout the Year. To minimize the exposure to credit risk, the Group would regularly review the timeliness of receivables settlement and evaluate the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments would constantly meet its funding requirements for current and future operations.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through cash generated from its own operating activities.

As at 31 March 2021, the Group had bank balances of approximately HK\$16.8 million (2020: HK\$13.5 million). The increase is mainly due to the government grants received during the Year. The new bank borrowings during the Year was approximately HK\$90.0 million (2020: HK\$77.7 million). The total interest-bearing liabilities of the Group including bank borrowings and lease liabilities as at 31 March 2021 was approximately HK\$114.3 million (2020: HK\$100.3 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 31 March 2021 was approximately 59.5% (2020: 53.3%).

### PLEDGE OF ASSETS

As at 31 March 2021, the Group's bank borrowings and lease liabilities were secured by the ownership interest in leasehold land and building and machinery and equipment with an aggregate net carrying value of approximately HK\$78.2 million (2020: HK\$82.6 million), deposits and prepayments for life insurances with an aggregate net book value of approximately HK\$6.7 million (2020: HK\$10.1 million) and pledged deposits with an aggregate net book value of approximately HK\$3.9 million (2020: HK\$3.9 million).

### FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Year.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group employed 512 (2020: 386) staff. Total staff costs including Directors' emoluments for the Year amounted to approximately HK\$149.7 million (2020: HK\$116.7 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the qualification and performance of each employee.

During the Year, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL EXPENDITURE AND COMMITMENTS

Our capital expenditure primarily comprises purchase of machinery and motor vehicles. Our capital expenditure was principally funded by bank borrowings, leases and internal resources. The following table sets forth our Group's capital expenditure during the Year and previous year:

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Motor vehicles	19,277	18,748
Machinery	43,321	75,625
Others	12,343	6
	74,941	94,379

As at 31 March 2021, the Group had no material capital commitments.

### CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities.

As at 31 March 2020, one of the subsidiaries has been named as defendant in one High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$4.5 million in aggregate. The court case was settled during the Year.

### EVENTS AFTER THE YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2021 and up to the date of this report.

### SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, the Group had no significant investment held and did not have any material acquisition and disposal of subsidiaries and associated companies.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other plans for material investments and capital assets during the Year and as at the date of this report.

### PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

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

### FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend to shareholders of the Company for the Year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

The COVID-19 pandemic that broke out in early 2020 has brought economic uncertainty to Hong Kong and negatively affected the construction industry, including supply chain disruptions, labor shortages due to illness and preventive quarantine, and temporarily work stoppages due to government measures, however, the government still keeps up its investment in Hong Kong for both short term and sustaining long term growth. Moreover, with the introduction of the vaccine, the COVID-19 epidemic is expected to be brought under control in the future, thus boosting the atmosphere of the construction industry. The government reiterated its commitment to infrastructure in the 2020–21 Budget and announced that the annual capital works expenditure for infrastructure projects in the next few years is expected to reach an average of HK\$100 billion. It is expected that construction projects will maintain a stable level in the next few years, and the Group expects the construction industry to rebound in the future.

As to the Group, we are confident with the prospects of the Group for the next few years as we have secured several projects which could ensure sustainability of the Group. Furthermore, to maintain our competitiveness, the Group has replaced and enhanced our fleet of machinery to strengthen the market position in Hong Kong to capture more sizeable and profitable projects and construction machinery rental business in the future. Premised on those competitive edges of the Group, the Board remains confident with the future development of the Group.

### CHANGE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the change of information of Director is as follow:

#### **Mr. Wong Yiu Kit, Ernest**

Mr. Wong resigned as an independent non-executive director of China Wood International Holding Co., Limited (formerly known as HongDa Financial Holding Limited), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 1822) with effect from 27 July 2020.

Mr. Wong was appointed as an independent non-executive director of Goldstone Investment Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0901) with effective from 1 December 2020 and was also appointed as an independent non-executive director of Kwong Luen Engineering Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1413) on 19 February 2021.

## REPORT OF THE DIRECTORS

The Board presents to the shareholders this annual report together with the audited consolidated financial statements of the Group for the Year.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works and provision of construction machinery rental services. As the Group has faced difficulties in identifying potential customers in trading of construction machinery business, the trading of construction machinery business has been discontinued and ceased during the Year (see note 7 to the consolidated financial statements of this annual report). Details of the principal activities of its subsidiaries are set out in notes 1 and 36 to the consolidated financial statements of this annual report.

### BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" set out on pages 4 to 11 of this annual report.

### RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

No dividend was paid or proposed by the Company during the Year, nor has any dividend been proposed by the Directors since the end of the Year.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 17 to the consolidated financial statements of this annual report.

### RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of view that employees, customers, sub-contractors and suppliers are the keys to the sustainable development of the Group.

#### *Employees*

Employees are regarded as valuable assets of the Group. The objective of the Group's human resource management is to reward and recognize well-performed staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. In particular, the Group promote career development and advancement by providing appropriate training and opportunities in order to enhance the employees' work performance.

#### *Customers*

Our major customers include construction work companies engaged in public and/or private construction projects in Hong Kong. We have established long-term business relationship with these customers for many years and committed to offer our quality service to meet their requirement. We tend to maintain contacts with these customers regularly in order to understand their needs and provide required service to support their business.

## REPORT OF THE DIRECTORS

### *Sub-contractors and Suppliers*

Our Group have developed long-standing relationship with a number of sub-contractors and suppliers. We have always been communicating closely with them to ensure that good quality and sustainable goods and services will be provided to the Group. When selecting sub-contractors and suppliers, we often require them to satisfy certain criteria such as experience and capability, financial strength, track record, and reputation.

### SHARE CAPITAL AND SHARES ISSUED DURING THE YEAR

Details of movements during the Year in the share capital of the Company are set out in note 28 to the consolidated financial statements of this annual report.

### RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 50 of this annual report.

As at 31 March 2021, the Group had retained profits amounted to approximately HK\$37,085,000 available for distribution to the Company's shareholders.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

### SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 15 November 2016. The principal terms of the Share Option Scheme is set out in note 31 to the consolidated financial statements of this annual report. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. The total number of shares available for issue under the Share Option Scheme is 100,000,000 shares, representing 9.64% of the issued shares of the Company as at the date of this annual report.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Year and up to the date of this annual report.

## REPORT OF THE DIRECTORS

### DIRECTORS

The Directors who held office during the Year and up to the date of this annual report were:

#### *Executive Directors*

Mr. Wu Wing Hang  
Mr. Chan Tak Ming

#### *Independent Non-Executive Directors*

Mr. Wong Yiu Kit Ernest  
Mr. Lee Man Tai  
Mr. Leung Ka Fai

In accordance with article 108 of the Company's articles of association (the "Articles"), Mr. Wu Wing Hang and Mr. Chan Tak Ming will retire from office as Directors at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

Information regarding Directors' emoluments is set out in note 12 to the consolidated financial statements of this annual report. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the independent non-executive Directors ("INEDs"). The Group considers all INEDs to be independent under the Listing Rules.

### DIRECTORS' SERVICE CONTRACT

All the INEDs have respectively entered into a letter of appointment with the Company for a term of two years unless terminated by not less than three month's notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### MANAGEMENT CONTRACTS

During the Year, no contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

### DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

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

## REPORT OF THE DIRECTORS

### COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Year and up to the date of this annual report.

### NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has made an annual declaration to the Company up to 31 March 2021, he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, interests and long positions in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules are as follows:

#### (i) Long position in the shares

Name of Director	Capacity/Nature of interest	Shares held	Approximate number of shareholding percentage
Mr. Wu Wing Hang ("Mr. Wu")	Interest in controlled corporation – Corporate interest (Note)	610,995,000	58.89%

Note: The 610,995,000 shares are held by Profit Gold Global Limited ("Profit Gold"). Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold and is deemed, or taken to be, interested in all the shares held by Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

#### (ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Wu	Profit Gold	Beneficial owner (Note)	1	100%

Note: Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold, and he is deemed or taken to be interested in all the shares in Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.



## REPORT OF THE DIRECTORS

### (iii) Short positions

Other than as disclosed above, as at 31 March 2021, none of the Directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

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

As at 31 March 2021, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name	Capacity/Nature of interest	Number of shares held/interested in	Percentage of shareholding
Profit Gold	Beneficial owner (Note 1)	610,995,000	58.89%
Ms. Kwok Wai Sheung Melody ("Ms. Kwok")	Interest of spouse (Note 2)	610,995,000	58.89%

Notes:

- 610,995,000 shares were beneficially owned by Profit Gold, which is wholly owned by Mr. Wu.
- Ms. Kwok, being spouse of Mr. Wu, is deemed to be interest in the 610,995,000 shares held by Mr. Wu under the SFO.

Save as disclosed above, as at 31 March 2021, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The approximate percentages of the Group's revenue and cost of sales attributable to major customers, subcontractors and suppliers during the Year and year ended 31 March 2020 are as follows:

	Year ended 31 March	
	2021	2020
Approximate % of total revenue		
from the largest customer	19.9%	17.6%
from the five largest customers in aggregate	66.7%	51.8%
Approximate % of cost of sales		
from the largest subcontractor	15.5%	16.7%
from the five largest subcontractors in aggregate	30.1%	19.3%
from the largest supplier	2.4%	2.1%
from the five largest suppliers in aggregate	7.5%	6.9%

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any interest in the five largest customers, subcontractors nor suppliers during the Year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in note 32 to the consolidated financial statements which constituted exempted continuing connected transactions under Chapter 14A of the Listing Rules.

During the Year, the Group obtained a new banking facility with total facility amount of approximately HK\$18 million, in which Mr. Wu, the executive director of the Company and the ultimate beneficial owner of the Company, has provided guarantee for this banking facility. The guarantee which provided by Mr. Wu is fully exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules since such financial assistance provided by Mr. Wu is for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance, and thus, are included herein for information only.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the Year which should be disclosed pursuant to the requirements under the Listing Rules.

## REPORT OF THE DIRECTORS

### PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

### EVENTS AFTER YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2021 and up to the date of this annual report.

### REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely, Mr. Lee Man Tai, Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2021 in conjunction with the Company's Auditor and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

### INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2021 have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

### CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Year and up to the date of this annual report except for the deviation from code provision A.2.1 of the CG Code as explained in the Corporate Governance Report.

The details of Group's compliance with the CG Code is set out in the Corporate Governance Report from pages 24 to 32 of this annual report.

### CHARITABLE DONATIONS

During the Year, the Group made charitable donations amounting to approximately HK\$8,000 (2020: HK\$74,000).

### DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group during the Year.

## REPORT OF THE DIRECTORS

### ENVIRONMENTAL POLICIES

Sustainability is one of the key factors to the Group's development, as well as for the viability of its business and the welfare of the community. We are committed to offering premium products and services to obtain customer satisfaction all round. In recent years, we have been looking for ways to minimize the adverse impact of our businesses on the environment (i.e. air and noise pollution) by improving operational efficiencies and implementing eco-friendly measures. The Group will continue to strive for energy-saving and environmental-friendly equipment and materials for our construction projects. We will formulate policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation, and be more active in involving various community programs and contributing to the society.

Details are set out in the Environmental, Social and Governance Report (the "ESG Report") from pages 33 to 40 of this annual report.

### COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board

**Wu Wing Hang**

*Chairman*

Hong Kong, 28 June 2021



## BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### *Executive Directors*

**Mr. Wu Wing Hang (胡永恆) (“Mr. Wu”)**, aged 42, is the founder of our Group. Mr. Wu is also a member of the nomination and remuneration committee. He was appointed as a Director on 21 April 2016 and was designated as an executive Director on 13 July 2016. He was also appointed as the Chairman of our Group on 13 July 2016. He is currently responsible for overseeing the corporate strategy and operational management of our Group. Mr. Wu is also a director of all the subsidiaries of our Group.

Mr. Wu has over 23 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in City College in Hong Kong in 1995. In 2003, Mr. Wu established Luen Yau Construction Company. He established Luen Yau Construction Company Limited in December 2007 and served as its director.

Mr. Wu is the spouse of Ms. Kwok Wai Sheung Melody, the human resources and administration Manager of the Company. For Mr. Wu’s interest in the shares of the Company within the meaning of Part XV of the SFO, please refer to the section headed “Report of the Directors” of this annual report.

**Mr. Chan Tak Ming (陳德明) (“Mr. Chan”)**, aged 55, was appointed as Director on 31 May 2016 and was designated as an executive Director on 13 July 2016. He is currently responsible for overseeing the rental operation of our Group.

Mr. Chan has over 36 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in Oberlin College in Hong Kong in 1983. Mr. Chan joined our Group in August 2003 as a machine operator and was promoted to the position of head of machine rental department in July 2013.

## BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

### *Independent Non-executive Directors*

**Mr. Wong Yiu Kit Ernest (黃耀傑) (“Mr. Wong”)**, aged 53, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of our Company.

Mr. Wong has over 28 years of experience in venture capital, corporate finance, business development and general management. Mr. Wong has been the President and Group Chief Financial Officer of KVB Holdings Limited (formerly known as KVB Kunlun Holdings Limited) since November 2011. Mr. Wong is an independent non-executive director of Renheng Enterprise Holdings Limited (stock code: 3628) and Aidigong Maternal & Child Health Limited (stock code: 286) whose shares are listed on the Stock Exchange. Mr. Wong also served as the board director at Adamas Finance Asia Limited from May 2008 to June 2019, a company listed on the London Stock Exchange (LSE stock code: ADAM), and served as its chief financial officer from May 2008 to October 2011. Mr. Wong also served as the chief financial officer of the Hong Kong Applied Science and Technology Research Institute and the vice president of Vertex Management (HK) previously. Mr. Wong was an independent non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) from November 2016 to September 2018, an independent non-executive director of China Regenerative Medicine International Limited (stock code: 8158) from February 2017 to August 2019 and was the executive director (from May 2018 to August 2019), chief financial officer and the company secretary of CLSA Premium Limited (stock code: 6877, formerly known as KVB Financial Group Limited) from October 2014 to August 2019, whose shares are listed on the Stock Exchange.

Mr. Wong resigned as an independent non-executive director of China Wood International Holding Co., Limited (formerly known as HongDa Financial Holding Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1822) with effect from 27 July 2020.

Mr. Wong was appointed as an independent non-executive director of Goldstone Investment Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0901) with effective from 1 December 2020 and was also appointed as an independent non-executive director of Kwong Luen Engineering Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1413) on 19 February 2021.

Mr. Wong obtained a bachelor's degree in business administration from The University of Hong Kong, a master's degree in management from the Saïd business school of Oxford University, a master's degree of science in investment management from The Hong Kong University of Science and Technology and a master's degree of science in electronic engineering from The Chinese University of Hong Kong. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. He is also the charter-holder of the Institute of Chartered Financial Analysts. He is the chairman of the Association of Chartered Certified Accountants Hong Kong, the former deputy chairman of the HKU Convocation, the former court member of The University of Hong Kong and the past president of the Hong Kong University Graduates Association.

## BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lee Man Tai (李文泰) (“Mr. Lee”)**, aged 44, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company.

In November 2000, Mr. Lee obtained his Bachelor degree in business administration from Lingnan University, Hong Kong. In November 2010, he further obtained a Master degree in business administration in financial services from The Hong Kong Polytechnic University. Mr. Lee was admitted as a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in May 2012 and October 2012 respectively. He also obtained the qualification as a licensed representative and responsible officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) in 2017 and 2020 respectively.

Mr. Lee has over 19 years of experience in financial and auditing industries. Mr. Lee served as the chief financial officer and company secretary in several listed companies including China Yuanbang Property Holdings Limited, a listed company on the main board of Singapore Exchange Securities Trading Limited with stock code BCD between October 2006 to October 2012, China 33 Media Group Limited (stock code: 8087) between October 2012 and May 2014 and Flying Financial Service Holdings Limited (stock code: 8030) as the chief financial officer between July 2014 to April 2015 and company secretary between August 2014 to April 2015. Mr. Lee also served as the company secretary and financial controller of Chanco International Group Limited (with its name changed to China International Development Corporation Limited) (stock code: 264) from April 2015 to September 2015 and from April 2015 to January 2016 respectively. He is currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228) since January 2016. He was appointed as an independent non-executive director of Rizhao Port Jurong Co., Ltd (stock code: 6117) with effective from December 2019.

**Mr. Leung Ka Fai (梁家輝) (“Mr. Leung”)**, aged 42, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the nomination committee and a member of the audit committee of our Company.

In October 2008, Mr. Leung obtained his Master degree in Chinese language and literature from The Hong Kong Polytechnic University. He further obtained a Postgraduate diploma in education (teaching in Chinese) from The Hong Kong Baptist University in November 2012 as well as a Master degree in sociology from The Chinese University of Hong Kong in November 2014.

Mr. Leung was a district council member of Sha Tin District Council from January 2008 to December 2019. He is a committee member of Yunfu City of the Chinese People’s Political Consultative Conference since January 2013, the member of the Appeal Board of Bedspace Apartments, Hotel and Guesthouse Accommodation and Clubs (Safety of Premises) of the Home Affairs Bureau of the Government of the Hong Kong Special Administration Region and the former vice-president of Sha Tin East District in New Territories East Region of District Scout Council of Scout Association of Hong Kong.

Mr. Leung has over 9 years of experience in management. He served as a business director of Beta Field Capital Limited from December 2011 to February 2012 and an independent non-executive director of China Biotech Services Holdings Limited (stock code: 8037) from June 2013 to December 2017. He was also appointed as an independent non-executive director of China Investment Fund Company Limited (stock code: 612, formerly known as China Ding Yi Feng Holdings Limited) from 22 April 2016 to 20 July 2016 and subsequently appointed and redesignated as a non-executive director with effect from 31 October 2016.

## BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Ms. Kwok Wai Sheung Melody (郭慧嫦) (“Ms. Kwok”)**, aged 43, is our human resources and administration manager. She is currently responsible for human resources management, training and education of employees.

In 1995, Ms. Kwok completed her secondary school education in Ho Ngai Prevocational School (Sponsored by Sik Sik Yuen) in Hong Kong. Ms. Kwok is the spouse of Mr. Wu.

Ms. Kwok has over 21 years of experience in the construction industry. She joined Luen Yau Construction Company in July 2003 as a human resources and administration manager. Prior to joining our Group, Ms. Kwok worked as a site clerk in Dickson Construction Co., Ltd. from September 1998 to December 2000 and China Harbour Engineering Co. from November 1997 to September 1998.

### COMPANY SECRETARY

**Ms. Lee Ying Ying (李盈熒) (“Ms. Lee”)**, aged 46, is our chief financial officer and company secretary and was appointed on 13 July 2016. She joined our Group in December 2015 and is currently responsible for finance management and company secretarial works.

In December 2005, Ms. Lee obtained her Master degree in professional accounting from The Hong Kong Polytechnic University. She was admitted as an associate of the Hong Kong Institute of Certified Public Accountants in June 2002 and a fellow member of the Association of Chartered Certified Accountants in April 2007.

Ms. Lee has over 26 years of experience in the auditing and accounting field. She has served a number of auditing position in various private companies from June 1994 to November 2003. From November 2003 to February 2013, Ms. Lee served as an administration and financial director and was promoted to the chief financial officer in 3 Wells Group Holdings Limited. She is also as a director of P&M Corporate Services Limited since December 2013.



## CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

### CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as set out in Appendix 14 of the Listing Rules. Throughout the Year and up to the date of this annual report, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the Year and up to the date of this annual report, the role of the chairman of the Company is performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company is vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company.

Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have complied with the Model Code throughout the Year.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS

The Board is responsible for formulating business strategies and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules during the Year. The Board constituted of five members, including two executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

#### *Executive Directors*

Mr. Wu Wing Hang (*Chairman*)

Mr. Chan Tak Ming

#### *Independent non-executive Directors*

Mr. Wong Yiu Kit Ernest

Mr. Lee Man Tai

Mr. Leung Ka Fai

Biographical details of each Director and relationship between Board members are set out on pages 20 to 23 of this annual report.

The Company signed a letter of appointment with each of the independent non-executive Directors for a term of two years, which may be terminated earlier by no less than three months' written notice served by either party on the other.

Pursuant to article 108(a) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company has also complied with Rule 3.10(2) of the Listing Rules. One of the independent non-executive Directors possesses the appropriate professional accounting qualifications and financial management expertise.

## CORPORATE GOVERNANCE REPORT

During the Year, eleven regular Board meetings and a general meeting were held. Details of the attendance of the Directors to the regular Board meetings and general meeting are as follows:

<b>Directors</b>	<b>Attendance/ Number of Board Meetings</b>	<b>Attendance/ Number of General Meetings</b>
<i>Executive Directors</i>		
Mr. Wu Wing Hang	11/11	1/1
Mr. Chan Tak Ming	11/11	1/1
<i>Independent non-executive Directors</i>		
Mr. Wong Yiu Kit Ernest	7/11	1/1
Mr. Lee Man Tai	7/11	1/1
Mr. Leung Ka Fai	7/11	1/1

Every Director is entitled to have access to Board papers and related materials, and the advice and services of the company secretary of the Company (the "Company Secretary"), and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

### BOARD DIVERSITY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

### CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. During the Year, the Directors have participated in continuous professional development programmes, such as external seminars organized by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest. Such induction materials and briefing will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided record of their training attendance and the Company will continue to arrange and fund the training in accordance with the CG Code provisions.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

The Board has established three committees, namely the audit committee (the "Audit Committee"), the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee"). The table below provides the membership information of these committees on which certain Board members served:

<b>Directors</b>	<b>Audit Committee</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>
Mr. Wu Wing Hang	–	M	M
Mr. Chan Tak Ming	–	–	–
Mr. Wong Yiu Kit Ernest	M	M	C
Mr. Lee Man Tai	C	–	M
Mr. Leung Ka Fai	M	C	–

Notes:

C – Chairman of the relevant committee

M – Member of the relevant committee

### AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Man Tai, Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. Mr. Lee Man Tai is the Chairman of the Audit Committee. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditor, and performing the corporate governance function.

The Audit Committee's authority and duties are set out in written terms of reference, which terms of reference of the Audit Committee are available on the Stock Exchange's website and the Company's website.

The Audit Committee held two meetings during the Year to review, and recommend to the Board for approval, the audited consolidated financial statements of the Group for the year ended 31 March 2020, the unaudited interim financial report for the six-month period ended 30 September 2020 and reviewed the internal audit reports including the review and evaluation of internal controls. The individual attendance record of each member at the meetings of Audit Committee are set out below:

<b>Name of member of the Audit Committee</b>	<b>Attendance/ Number of Meetings</b>
Mr. Lee Man Tai	2/2
Mr. Wong Yiu Kit Ernest	2/2
Mr. Leung Ka Fai	2/2

Subsequent to the year ended 31 March 2021, the Audit Committee held one meeting and have reviewed and recommended to the Board for approval of the audited consolidated financial statements of the Group for the year ended 31 March 2021.

## CORPORATE GOVERNANCE REPORT

### NOMINATION COMMITTEE

Pursuant to paragraph A.5 of the CG Code, the Nomination Committee comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Leung Ka Fai and Mr. Wong Yiu Kit Ernest. Mr. Leung Ka Fai is the Chairman of the Nomination Committee. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying and nomination of Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The Nomination Committee's authority and duties are set out in written terms of reference, which terms of reference of the Nomination Committee are available on the Stock Exchange's website and the Company's website.

During the Year, the Nomination Committee held one meeting to (i) review the structure, size and diversity of the Board; (ii) assess the independence of the independent non-executive Directors; and (iii) recommend to the Board for consideration the re-election of all the retiring Directors at the forthcoming annual general meeting. The individual attendance record of each member of the Nomination Committee is set out below:

<b>Name of member of the Nomination Committee</b>	<b>Attendance/ Number of Meetings</b>
Mr. Leung Ka Fai	1/1
Mr. Wu Wing Hang	1/1
Mr. Wong Yiu Kit Ernest	1/1

The Board has adopted the nomination policy which sets out the nomination criteria and procedures for the Company to appoint additional Directors or re-elect Directors.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations. Qualified candidates will then be recommended to the Board for approval.

### REMUNERATION COMMITTEE

Pursuant to paragraph B.1 of the CG Code, the Remuneration Committee comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest and Mr. Lee Man Tai. Mr. Wong Yiu Kit Ernest is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of independent non-executive Directors.

The Remuneration Committee's authority and duties are set out in written terms of reference, which terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website.

## CORPORATE GOVERNANCE REPORT

The Remuneration Committee held one meeting during the Year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Directors and other related matters and the individual attendance record of each member of the Remuneration Committee is set out below:

<b>Name of member of the Remuneration Committee</b>	<b>Attendance/ Number of Meetings</b>
Mr. Wong Yiu Kit Ernest	1/1
Mr. Wu Wing Hang	1/1
Mr. Lee Man Tai	1/1

No Director takes part in any discussion about his own remuneration. Full details of remuneration of the Directors and the five highest paid employees are provided in notes 12 and 13 respectively to the consolidated financial statements of this annual report.

### COMPANY SECRETARY

The Company Secretary, who is also the chief financial officer of the Company, is a full time employee of the Company. During the Year, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. Her biography is set out on page 23 of this annual report under the section headed "Biographies of the Directors and Senior Management".

### ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the Year. The Directors aim to present a clear and understandable assessment of the Group's financial position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules, and reports to the regulators.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this annual report.

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROLS

One of the major functions of the Board is to maintain an adequate risk management and internal control systems to safeguard shareholders' investments and the Group's assets, and reviewing their effectiveness annually through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board.

Policies and procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The policies and procedures provide a reasonable assurance that material misstatements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Year, the Company engaged an external independent consulting firm to review the effectiveness of certain of the Group's risk management and internal controls systems. Relevant recommendations made by the consultant have already been implemented in stages by the Group to further enhance its internal control policies, procedures and practices. The Board considered that the Group's risk management and internal control systems were effective during the Year.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

### DISCLOSURE OF INSIDE INFORMATION

The Company has put in place a policy for the disclosure of inside information in compliance with the SFO. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Company and its subsidiaries.

### AUDITOR'S REMUNERATION

During the Year, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliated firms, in respect of their audit and non-audit services was as follows:

	<b>Service Fee</b> HK\$'000
Audit services	894
Non-audit services:	
– Review for interim report	250
– Others*	37
	287
<b>Total</b>	<b>1,181</b>

\* Performed by SHINEWING (HK) CPA Limited's affiliated firms.

## CORPORATE GOVERNANCE REPORT

### DIVIDEND POLICY

Pursuant to code provision E.1.5 of the CG Code, the Company has adopted a dividend policy (“Dividend Policy”). This Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits, realised or unrealised, or from any reserve set aside from profits which the Board determine is no longer needed, as dividends to the shareholders of the Company.

In deciding whether to propose or declare a dividend and in determining the dividend amount and means of payments, the Board should take into account, the actual and expected financial performance of the Group; retained profits and distributable reserves of the Company and each of the other members of the Group; economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group, business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business; the current and future operations, liquidity position and capital requirements of the Group; statutory and regulatory restrictions; and any other factors that the Board may consider relevant. The Board will review the dividend policy as appropriate from time to time.

### INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations.

The Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the websites of the Company and the Stock Exchange; and (d) the Company’s web-site providing an electronic means of communication.

### SHAREHOLDERS’ RIGHTS

#### *How shareholder can convene an extraordinary general meeting*

The following procedures for shareholders to convene an extraordinary general meeting (“EGM”) are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

- (a) Pursuant to article 64 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the “Eligible Shareholder(s)”) carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;
- (b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary at the Company’s principal place of business at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;



## CORPORATE GOVERNANCE REPORT

- (c) The requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;
- (d) The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and
- (e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

### *Procedures by which enquiries may be put to the Board*

Shareholders may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by mail to the Company's principal place of business in Hong Kong at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

### *Procedures for putting forward proposals at shareholders' meeting*

There are no provisions in the Articles or the Companies Law of the Cayman Islands for shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph heading "How shareholder can convene an extraordinary general meeting".

## SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

As of the year ended 31 March 2021 and up to the date of this annual report, there were no changes made to the constitutional documents of the Company.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ABOUT THIS REPORT

The objective of this Environmental, Social and Governance (“ESG”) Report is to highlight the Group’s ESG performance for the purpose of assisting all stakeholders in understanding the Group’s ESG concepts and practices in achieving sustainable development for the future.

The Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 27 of the Main Board Listing Rules. An assessment on the applicability and materiality of the relevant key performance indicators (“KPIs”) under the ESG Reporting Guide had been conducted.

### GOVERNANCE ON ESG ASPECTS

The Board has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management are delegated the responsibility of coordinating the implementation of the Group’s environment, employment and service quality assurance policies.

### ESG MANAGEMENT APPROACH

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

### STAKEHOLDER ASSESSMENT AND COMMUNICATION

The Management had given due consideration in accessing and addressing the definition and concerns of the stakeholders of the Group. Stakeholder assessment and engagement refer to the process by which the Group involves parties who may be affected by the decisions it makes or can influence the implementation of its decisions. In the course of the businesses the Management had: set out the full spectrum of stakeholders by consulting various departments within the Group; leverage on the on-going communication channels and day-to-day interactions to engage these stakeholders; and conducted an in-depth assessment of the influence and dependency of each of these stakeholder groups. The Company’s stakeholders can categorically be divided into customers, suppliers, employees and shareholders.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ENVIRONMENTAL

#### Emissions

Reducing greenhouse gas emissions is the most important mitigation measure for tackling climate change, and carbon footprint assessment provides the underlying indicators for reducing greenhouse gas emissions.

#### Air pollutants and greenhouse gas (“GHG”) emissions

Multiple sources of emissions are generated from our business operations. Emissions generated by the Group mainly arise from electricity consumption at offices used and from diesel fuel consumed by Group owned vehicles. Given that emissions were substantially due to equipment usage and Group-owned vehicles, our mitigation strategy focuses significantly on these sources. A range of measures is used to avoid, reduce or control pollution where technically and economically feasible, with the implementation of various energy-saving measures to reduce the emission of greenhouse gases. We have opted to use a more energy-efficient fuel, Shell Fuel-save Diesel, for most of our vehicles and machinery (e.g. excavator and lorry cranes). To reduce the emission of carbon dioxide, the Company has strictly controlled total energy consumption and adjusted the energy utilization structure, to cut down on the use of energy with high carbon dioxide content. It has adopted clean energy and promoted the clean production strategy. While discarding obsolete capacity and processes and purchasing energy-saving and advanced equipment, we have also applied cutting-edge technologies to help with energy conservation and pollution prevention. Under the amendment of the Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong) in 2008 by the Environmental Protection Department (“EPD”), we ensure all machinery used are diesel-driven, with surplus content not higher than 0.005%, and endeavor to reduce our carbon emission levels when we are operating in any construction sites.

The Group owned vehicles are used for both rental and construction purposes, therefore the Group unable to retrieve usage records for each purpose. As a result, atmospheric emission data for nitrogen oxides and particulate matter are unavailable. Sulphur oxides produced by the combustion of diesel was about \*43 kg (2020=21kg).

GHG emission	Unit	2021	2020
Scope 1 – Fuel combustion	Tonne	*6,907	3,429
Scope 2 – Purchased electricity	Tonne	6	6
Scope 3 – Other indirect	Tonne	4	4
Total GHG emissions	Tonne	*6,917	3,439
GHG emission intensity	Tonne/million HK\$ revenue	*16	11

\* Since our revenue increased significantly in the Year, the demand of fuel for our machinery was increased accordingly.

#### Waste Management

Due to the nature of the industry, the Group does not produce hazardous waste. During the reporting year, the Group did not experience any emission-related non-compliance issue that could have had a significant impact on the environment. The main non-hazardous wastes of the Group are construction-related which are all disposed of according to the Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong). The Group also strictly follow the requirements of the EPD and the main contractors. We engage qualified construction waste collector to handle construction waste if necessary.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Use of Resources

Environmental protection is the responsibility of every staff of the Group. The focus is on reducing natural resource consumption. The Group promotes the paperless office, encourages employees to maximize the use of electronic communications and electronic documents, avoid unnecessary printing and copying, reduce paper consumption, and recycle office wastepaper and other office supplies. To put into practice the concept of the “4Rs” (Reduce, Reuse, Recycle and Replace) in our offices and site offices, we have implemented stages of time regarding environmental policies. For instance, we encourage staff to reduce paper usage by double-sided copying and frequent use of electronic information systems for communication and documentation; to switch off lights and electrical facilities/appliances (computers and printers) when leaving the workplace or when they are not in use; to purchase and use energy-efficient products; to use natural lighting and ventilation in site offices; to encourage a paperless work environment in terms of internal and external email communication; and to place recycling bins in offices to encourage recycling.

As a business in the construction industry, the Group is mainly engaged in the construction of infrastructure, real estate, urban complexes, etc., and our operational processes do not involve consumption of packaging materials or packaging material-related businesses. Therefore, this indicator is not applicable. During the Year, the natural resources consumed is as follows:

Use of natural resources	Unit	2021	2020
Electricity	kWh	9,485	9,116
	kWh/million HK\$ revenue	22	29
Paper	Kg	808	813
	Kg/million HK\$ revenue	2	3
Diesel	L	*2,637,185	1,290,573
	L/million HK\$ revenue	6,049	4,136
Petrol	L	5,474	8,284
	L/million HK\$ revenue	13	27

\* Since our revenue increased significantly in the Year, the demand for diesel for our machinery was increased accordingly.

### The Environment and Natural Resources

Under its commitment to a development path of environmental protection and sustainability, the Group has always taken environmental protection measures in the processes of design, development and operation of each and every project. As a construction business, the Group’s environmental impact in the course of business development comprises only solid – vegetation and construction – waste within the scope of construction. Each project of the Group has a site agent to control construction waste and ensure it can be processed in a timely and effective manner. The Group also fosters a greener environment within the scope of construction through a good line design.

To minimize environmental impact, the Group regularly monitors the potential impact of its business operations on the environment and promotes a green office and production environment through four basic principles: reducing, reusing, recycling and replacing. At the same time, the Group verifies the effective use of resources each year, to ensure continuous improvement in this field. The Group has also engaged the Hong Kong Quality Assurance Agency to carry out regular confirmation of our ISO 14001 qualification for management of waste and resource provision in our construction works. During construction works, the operation of machinery and equipment and the construction processes create noise, which may affect people living or working nearby.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We strictly implement the guidelines regarding construction noise pollution caused by our main contractors, and comply with the Noise Control Ordinance (Cap. 400, Laws of Hong Kong). Under the Noise Control Ordinance, all construction activities are controlled by means of a system of Construction Notice Permits (“CNP”) issued by the EPD. In addition, the carrying out of general construction works using powered mechanical equipment is prohibited between 7 p.m. and 7 a.m., and at any time on a general holiday, including Sundays, unless a valid CNP is in force. In our daily operations, we seek to minimise impact on wastewater pollution. Based on the guidelines from main contractors, we have set up a wastewater collection basin in each construction site for wastewater handling.

### EMPLOYMENT AND LABOUR PRACTICES

#### Employment

Employees are the most valuable assets of the Group, and the Group’s growth depends on the unremitting efforts and dedicated service of all staff. The Group respects human rights and believes that every employee should be treated with respect. Starting from the employment system, the Group is committed to creating an equal and ideal working environment for our employees. From recruitment to promotion, the Group follows open, fair and ability-first management principles. We only consider the qualifications, experience and skills of applicants and employees, and disregard gender, race, ethnicity, age or religion. The Group makes available a variety of job opportunities, and encourages promotion and retention of talent. To attract and retain talent, we conduct annual appraisals to review staff performance.

As at 31 March 2021, the Group has 512 (2020: 386) staff, including office and site staff. The composition of our staff was as shown in the following table. Due to the nature of our business, male employees represent a major part of our labour force. Due to our operational locations, all our staff members are located in Hong Kong. Moreover, since the major business of the Group is construction as a sub-contractor, the majority of our employees are junior level staff.

	No. of staff	Distribution (%)
<i>Gender</i>		
Male	494	96
Female	18	4
<i>Age Group</i>		
18–25	13	3
26–35	44	9
36–45	117	23
46–55	149	29
56–65	156	30
66 or above	33	6

In order to reduce the loss of talents, we regularly review employee benefits to enhance employees’ initiative and increase returning employees. We strive to maintain employee turnover rate at an acceptable level so as to facilitate accumulation of professional skills and experience. During the Year, the Group’s employee turnover rate was about 8%, which is categorized by gender and age group as follows:

Gender		Age Group					
Male	Female	18–25	26–35	36–45	46–55	56–65	>66
7%	27%	23%	15%	8%	5%	9%	3%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our staff enjoys equality of opportunity while working with us. Under our human resources policies, we comply firmly with the relevant laws and legislation such as the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487) of the Laws of Hong Kong. For the year ended 31 March 2021, the Group did not notice of non-compliance in relation to employment and labour laws and regulations.

### *Health and Safety*

Under a philosophy that puts life and safety first, the Group upholds best-in-industry work safety standards and practices. Prior to the commencement of each project, we employ a Registered Safety Officer ("RSO") and establish relevant safety policies and procedures with regular review by the Board of Directors. Our RSO is responsible for providing basic safety rules and training to our staffs and sub-contractors, monitoring the work environment and staff facilities regularly, acting as a key contact for emergency and injury reporting, and working out annual safety assessments in both offices and sites. Moreover, the Group has specifically engaged a registered safety auditor to oversee the implementation of the health and safety policies and to update the policies annually so as to ensure that the Group maintains a high standard of health and safety. Furthermore, the Group has obtained ISO 45001:2018 accreditation for our occupational health and safety management system, which is committed to taking account of occupational health and safety requirements.

The Group is well aware of the potential health hazard the COVID-19 pandemic may bring to Hong Kong society. Accordingly, the Group implemented the following measures to contribute to fighting against the pandemic:

- Providing face masks and disinfectant products at head office and site offices for staff use.
- Requiring staff to adhere to the Group's office hygiene requirements in response to COVID-19.
- Placing COVID-19 educational material at head office to raise staff's hygiene awareness.
- Developing workplace guidelines for prevention of COVID-19 at head office and construction sites.

The above measures not only protected the health of our staff but also of our customers and the communities close to the work sites where the Group operates. The Group will continue to optimise its work practices for the sake of staff health and safety with the aim of creating a safe, healthy and comfortable working environment. To this end, we comply strictly with applicable laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509), Employees' Compensation Ordinance (Cap. 282), and Factories and Industrial Undertakings Ordinance (Cap. 59) laws of Hong Kong.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We ensure our site staff are provided with full sets of Personal Protective Equipment (“PPE”) such as safety helmets, harnessing, earplugs, goggles, dust masks, gloves, safety shoes and reflective waistcoats. All our machinery and site vehicles also undertake regular performance and safety testing. The Company attaches great importance to safety training and focuses on the frontline and operational personnel. Through pre-work education and project site broadcast and billboard measures, the Company raises the safety awareness of staff and guarantees operational safety. At the same time, close communication and collaboration with main contractors is also important, so that we can obtain timely updates from them. Safety meetings and site inspections are held regularly to monitor the health and safety of workers. During the year ended 31 March 2021, the Group did not aware of any non-compliance with laws and regulations relating to health and safety issues.

Occupational health and safety statistics	2021	2020
Number of work injuries	6	6
Number of lost days due to work injury	*1,110	814
Number of work-related fatalities	Nil	Nil

\* The Group involved more workers due to our revenue increased significantly in the Year, so the risk of work injuries was increased relatively. Although the number of lost days increased, the total number of works injuries were as same as the previous year.

### Training and Development

The Group believes that nurturing and retaining talent is the key to ensuring our business development and strengthening our competitiveness. The Group has focused on the cultivation of professional skills and accumulation of knowledge in training measures, as we are keen to provide health and safety training to our employees in multiple areas, including workplace safety, safe use of personal protective equipment and operations involving manual handling.

Before commencing onsite work, our employees are required to attend an induction training session, to ensure they have understood health and safety policies in the workplace. The Group recognizes the importance of employee self-development, and ensures equality of opportunity in training for different levels of staff.

### Labour Standards

The Group has implemented a strict recruitment procedure through the Human Resource Department and upon discovery of any child labour and use of forced labour, the person will be dismissed immediately. The Board will discuss and review the discovered event to prevent it from happening again. Additionally, we prohibit all forms of forced labour, child labour and employment of illegal workers in any workplaces, and are committed to complying with the relevant laws and regulations.

The Group has zero tolerance for use of forced or child labour, or the hiring of illegal immigrants in either our office or construction sites. Our human resources department imposes stringent controls in the recruitment process to prevent such illegal recruitment. During the year ended 31 March 2021, the Group did not aware of any occurrence of hiring child labour and the use of forced labour.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### OPERATING PRACTICES

#### *Supply Chain Management*

The Group believes that the reliability and quality of construction works are crucial to our reputation. For this reason, it has implemented quality control procedures with documentation covering all stages of our construction processes, from procurement of raw materials to completion of construction works, allowing us to verify and ensure the consistency of quality. The Group has adopted and implemented a quality control system that complies with international standard ISO 9001:2015. In carrying out procurements, we ensure that the services or goods are sourced from the approved suppliers' list. We also evaluate existing suppliers' and sub-contractors' performance on a regular basis. When selecting new suppliers or sub-contractors, we take into account their quality of work or services, on-time delivery record, financial stability, past performance and reputation. During the year, all sub-contractors were from Hong Kong.

#### *Product Responsibility*

The Group is committed to delivering quality construction projects completed to specification. To this end, our Health Safety & Environment and Quality policies are strictly implemented, while the quality management system of our construction arm has adopted the requirements of ISO 9001 to ensure product quality.

In recognition of our quality control system, we have obtained several certifications – International Organisation for Standardization (“ISO”) 9001:2015, ISO 14001:2015 and ISO 45001:2018 – from Accredited Certification International Limited.

Also, we recognise that good customer relationships and after-sales services are the key factors influencing our success and sustainability. Therefore, we have set up a dedicated customer communication channel to handle queries and feedback efficiently. Similarly, customer complaints are thoroughly investigated and root causes are identified and acted on, in line with quality management system standards. We endeavor to deliver our construction works and rental services in a way that meets customers' expectations and provides satisfaction.

As a result, we are committed to substantiating compliance with relevant laws and regulations within our construction works and rental services, and to ensuring all machinery is approved or exempted by label as Non-Road Mobile Machinery (“NRMM”), and we have obtained the Certificate of Test and Thorough Examination of Lifting Appliances under the Labour Department and Environmental Protection Department of Hong Kong respectively. Plant and equipment operators must hold the licensed construction machinery and vehicle operators' registration respectively. Plant and equipment operators must hold the licensed construction machinery and vehicle operators' registration under the Construction Workers Registration Board of the Construction Industry Council.

During the year ended 31 March 2021, no complaint was received from customers regarding our services and the quality of our construction works. Further, the Group has not identified any non-compliance with the relevant laws and regulations in respect of product responsibility.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Anti-Corruption*

At the heart of the Group lie our core values of honesty, integrity and fair play. The Group expects all directors, officers and employees to uphold those values at all times. An anti-corruption policy and whistleblowing programs are included in our staff handbook and internal control manual to demonstrate this commitment. We have also set up a separate email address as a confidential whistleblowing channel to the Audit Committee, to allow employees to report any misconduct or malpractice observed.

As at 31 March 2021, the Group did not notice any non-compliance with the relevant laws and regulations regarding bribery, extortion, fraud and money laundering.

### COMMUNITY INVOLVEMENT

The Group always fulfils its employment responsibility, which is considered to be a key element of corporate social responsibility. We are committed to deepening our contribution to the community. As a way to give back to the local community, the Group donated to The Lighthouse Club Hong Kong, supporting the construction industry in Hong Kong, through the provision of charitable assistance to people who financial help within the industry.

Looking forward, we will continue to uphold the principle of being responsible for our clients, employees, shareholders and society, and will seek and capture opportunities to strive for a harmonious development between the Group and all related parties to make our due contributions.

## INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited  
43/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

### TO THE SHAREHOLDERS OF PROGRESSIVE PATH GROUP HOLDINGS LIMITED

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

### OPINION

We have audited the consolidated financial statements of Progressive Path Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 47 to 111, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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

### REVENUE RECOGNITION FROM CONSTRUCTION WORKS

Refer to note 7 to the consolidated financial statements and the accounting policies from pages 56 to 58.

#### The key audit matter

During the year ended 31 March 2021, the Group recognised revenue from construction works of approximately HK\$194,450,000.

As stated in note 3 to the consolidated financial statements, the Group recognised contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the accumulated actual cost incurred to date over the total budgeted contract cost. Accordingly, revenue recognition from construction works involves a significant degree of management judgements and estimates, with estimates being made to assess the total budgeted contract cost and stage of completion of the contracts.

We have identified the revenue recognition from construction works as a key audit matter because the amount is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group.

#### How the matter was addressed in our audit

Our audit procedures were designed to review the management's assessment, and its judgements and estimations used in the revenue recognition from construction works.

We have discussed with the project managers and the management of the Group and sample checked the supporting documents, such as construction contracts, variation orders and payment certificates to assess the reasonableness of the management's estimation of the budgeted revenue and total budgeted contract cost.

We have recalculated the percentage of completion based on accumulated actual cost incurred to date over the total budgeted contract cost.

We have assessed the reliability of management's assessment in total budgeted contract cost by considering the historical actual costs and estimation of total budgeted contract cost of completed projects.

## INDEPENDENT AUDITOR'S REPORT

### IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 17 to the consolidated financial statements and the accounting policies on page 63.

#### The key audit matter

As at 31 March 2021, the carrying amount of the Group's property, plant and equipment is approximately HK\$149,637,000.

The management of the Group performed impairment assessment of property, plant and equipment by determining the recoverable amount with reference to the value-in-use calculation. The value-in-use calculation was based on profit forecast and cash flows projection, with the use of estimates on the future profitability from construction works and construction machinery rental.

We have identified the impairment assessment of property, plant and equipment as a key audit matter because the carrying amount of property, plant and equipment is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group.

#### How the matter was addressed in our audit

Our audit procedures were designed to review the management's assessment, and its judgements and estimates used in the impairment assessment of property, plant and equipment.

We have obtained the understanding on the management's impairment assessment process on identifying assets, through review of documentation, discussion with management, that may be indicative to be impaired, and evaluating the reasonableness of the management's assessment with reference to the revenue generated from the property, plant and equipment in recent years.

We have assessed the reasonableness of the management's key assumptions used in the value-in-use calculation by evaluating the estimated future revenue generated with reference to the historical construction projects, projects on hand, or other relevant information in the industry.

## INDEPENDENT AUDITOR'S REPORT

### LOSS ALLOWANCE ON TRADE RECEIVABLES AND CONTRACT ASSETS

Refer to notes 18 and 19 to the consolidated financial statements and the accounting policies from pages 66 to 69.

#### The key audit matter

As at 31 March 2021, the carrying amounts of the Group's trade receivables and contract assets are approximately HK\$149,503,000 and HK\$50,267,000, net of accumulated loss allowance on trade receivables and contract assets of approximately HK\$25,364,000 and HK\$2,523,000, respectively.

In assessing the loss allowance made under the expected credit loss ("ECL") model, the management of the Group and the independent valuer used judgements and estimates to determine the historical credit loss experience and forward-looking information specific to the debtors and their economic environments.

We have identified the loss allowance on trade receivables and contract assets as a key audit matter because the carrying amounts of trade receivables and contract assets are significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group and the independent valuer.

#### How the matter was addressed in our audit

Our audit procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on trade receivables and contract assets.

We have obtained an understanding of the methodology for the ECL model, development processes and its relevant controls, through review of documentation, discussion with management of the Group and independent valuer. We have also assessed the reasonableness of judgements and estimates made by the management of the Group and independent valuer on model adoption and parameters selection. We have examined the key data inputs in the ECL model on a sample basis to assess their accuracy and reasonableness.

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Chuen Fai.

#### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong  
28 June 2021

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

*For the year ended 31 March 2021*

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
Revenue	7	435,594	312,074
Cost of sales		(413,677)	(298,739)
Gross profit		21,917	13,335
Other income	8	15,984	4,491
Reversal of loss allowance on trade receivables		–	6,557
Administrative expenses		(21,815)	(21,251)
Loss allowance on trade receivables		(7,746)	(10,190)
Loss allowance on contract assets		(1,366)	(1,060)
Finance costs	9	(5,322)	(6,304)
Profit (loss) before taxation	11	1,652	(14,422)
Income tax credit (expense)	10	2,086	(1,196)
Profit (loss) and total comprehensive income (expense) for the year		3,738	(15,618)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		3,738	(15,598)
– Non-controlling interest		–	(20)
		3,738	(15,618)
EARNINGS (LOSS) PER SHARE	16		
– Basic and diluted		0.36 HK cent	(1.50 HK cents)



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	149,637	138,935
Deposits paid for acquisition of property, plant and equipment		4,655	2,249
Pledged deposits	21	1,789	3,946
		<b>156,081</b>	145,130
<b>Current assets</b>			
Trade receivables	18	149,503	144,120
Contract assets	19	50,267	39,666
Deposits, prepayments and other receivables	20	14,948	20,335
Income tax recoverable		–	30
Pledged deposits	21	2,157	–
Bank balances and cash	22	16,781	13,507
		<b>233,656</b>	217,658
<b>Current liabilities</b>			
Trade and other payables	23	75,883	64,291
Amount due to a related company	24	–	260
Bank borrowings	25	40,602	26,676
Income tax payable		38	–
Lease liabilities	26	39,389	47,026
		<b>155,912</b>	138,253
Net current assets		<b>77,744</b>	79,405
Total assets less current liabilities		<b>233,825</b>	224,535

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Lease liabilities	26	34,275	26,591
Deferred tax liabilities	27	7,571	9,703
		41,846	36,294
Net assets		191,979	188,241
Capital and reserves			
Share capital	28	10,375	10,375
Reserves		181,620	177,882
Equity attributable to owners of the Company		191,995	188,257
Non-controlling interest		(16)	(16)
Total equity		191,979	188,241

The consolidated financial statements on pages 47 to 111 were approved and authorised for issue by the board of directors on 28 June 2021 and are signed on its behalf by:

**Wu Wing Hang**  
Director

**Chan Tak Ming**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000			
At 1 April 2019	10,375	109,078	35,457	48,945	203,855	–	203,855
Loss and total comprehensive expense for the year	–	–	–	(15,598)	(15,598)	(20)	(15,618)
Capital contribution from a non-controlling shareholder	–	–	–	–	–	4	4
<b>At 31 March 2020 and 1 April 2020</b>	<b>10,375</b>	<b>109,078</b>	<b>35,457</b>	<b>33,347</b>	<b>188,257</b>	<b>(16)</b>	<b>188,241</b>
Profit and total comprehensive income for the year	–	–	–	3,738	3,738	–	3,738
<b>At 31 March 2021</b>	<b>10,375</b>	<b>109,078</b>	<b>35,457</b>	<b>37,085</b>	<b>191,995</b>	<b>(16)</b>	<b>191,979</b>

Note: Other reserve represented the retained profits in respect of the construction machinery rental business (the "Construction Machinery Rental Business") contributed from the controlling shareholder prior to the transfer of business to the Group. Since 1 April 2015, the Construction Machinery Rental Business has been transferred from the controlling shareholder to Luen Yau Construction Company Limited ("Luen Yau Construction").

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2021*

	2021 HK\$'000	2020 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit (loss) before taxation	1,652	(14,422)
Adjustments for:		
Government grants	(13,009)	–
Gain on disposal of property, plant and equipment	(1,482)	(486)
Bank interest income	–	(1)
Loss allowance on trade receivables	7,746	10,190
Reversal of loss allowance on trade receivables	–	(6,557)
Loss allowance on contract assets	1,366	1,060
Finance costs	5,322	6,304
Depreciation of property, plant and equipment	60,086	58,045
Operating cash flows before movements in working capital	61,681	54,133
Increase in trade receivables	(13,129)	(9,039)
Increase in contract assets	(11,967)	(3,594)
Decrease (increase) in deposits, prepayments and other receivables	2,118	(3,416)
Increase in trade and other payables	11,592	29,072
Cash generated from operations	50,295	67,156
Hong Kong Profits Tax refunded	22	3,372
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>50,317</b>	<b>70,528</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(28,611)	(41,056)
Deposits paid for acquisition of property, plant and equipment	(4,655)	(2,249)
Placement of pledged deposits	–	(1,789)
Bank interest income received	–	1
Proceeds from early surrender of a life insurance	3,269	–
Proceeds from disposal of property, plant and equipment	5,635	6,636
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(24,362)</b>	<b>(38,457)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(44,034)	(50,167)
Interest paid	(5,322)	(6,304)
Repayment of bank borrowings	(76,056)	(82,755)
New bank borrowings raised	89,982	77,743
Government grants received	13,009	–
(Repayment to) advance from a related company	(260)	260
Capital contribution from a non-controlling shareholder	–	4
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(22,681)</b>	(61,219)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,274</b>	(29,148)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>13,507</b>	42,655
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>16,781</b>	13,507

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 1. GENERAL INFORMATION

Progressive Path Group Holdings Limited (the “Company”) is a limited company incorporated in the Cayman Islands under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 December 2016. The immediate holding company and ultimate holding company of the Company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands (the “BVI”). The ultimate beneficial owner of the Company is Mr. Wu Wing Hang (“Mr. Wu”), the executive director of the Company. The address of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” of this annual report.

The Company is an investment holding company while the principal subsidiaries of the Company are principally engaged in the construction works and provision of construction machinery rental. The Group was also engaged in trading of construction machinery during the year ended 31 March 2020 which was discontinued during the year ended 31 March 2021 (note 7).

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

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

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 April 2020:

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

#### *New and amendments to HKFRSs issued but not yet effective*

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

HKFRS 17	Insurance Contracts and Related Amendments <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the Related Amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>5</sup>
Amendments to HKAS 8	Disclosure of Accounting Estimates <sup>5</sup>
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>3</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021 <sup>6</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 Cycle <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>6</sup> Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated results and the consolidated financial position of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2021*

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

#### ***Basis of consolidation***

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

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

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.

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

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Basis of consolidation* (Continued)

Non-controlling interest, unless as required by another standards, is measured at acquisition-date fair value except for non-controlling interest that is present ownership interest and entitles its holder to a proportionate share of the entity's net assets in the event of liquidation are measured at fair value or at the present ownership instruments' proportionate share in the recognised amount of the acquiree's identifiable net assets on a transaction-by-transaction basis.

#### *Revenue recognition*

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

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

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

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 asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

##### Contract assets and contract liabilities

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

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

The Group recognised revenue from the following major sources:

- Construction works; and
- Trading of construction machinery.

##### Construction works

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

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

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

Revenue from construction works is recognised over time.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Revenue recognition* (Continued)

##### **Variable consideration**

For contracts that contain variable consideration (variation order of construction works), the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised services to a customer.

The Group estimates an amount of variable consideration by using either (a) the expected value method; or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

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

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

#### *Leasing*

##### **Definition of a lease**

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

##### **The Group as lessee**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leasing (Continued)

##### The Group as lessee (Continued)

###### Lease liabilities

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

All the lease payments included in the measurement of the lease liability are fixed lease payments.

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

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

###### Right-of-use assets

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset at the end of the lease term, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets in "property, plant and equipment".

The Group applies HKAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss, if any, are transferred to motor vehicles and machinery within the property, plant and equipment.

##### The Group as lessor

The Group enters into lease agreements as a lessor with respect to certain motor vehicles and machinery. Leases for which the Group is a lessor are classified as operating leases.

Rental revenue from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Foreign currencies*

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

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

#### *Borrowing costs*

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

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

#### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss as other income (note 8) on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

#### *Retirement benefits cost*

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.

#### *Short-term employee benefits*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. 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 “profit (loss) before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each 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 base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Taxation** (Continued)

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

Current and deferred tax are recognised in profit or loss.

#### **Property, plant and equipment**

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

#### **Ownership interest in leasehold land and building**

When the Group makes payments for ownership interest 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 items of property, plant and equipment over their estimated useful lives, using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets for leasehold land, building, motor vehicles and machinery are depreciated over their expected useful lives on the same basis as owned assets.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Impairment losses on property, plant and equipment, right-of-use assets included in property, plant and equipment and deposits paid for acquisition of property, plant and equipment***

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

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

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

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

#### ***Cash and cash equivalents***

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Investments in subsidiaries*

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

#### *Financial instruments*

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

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

#### *Financial assets*

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

All recognised financial assets are subsequently measured in their entirety at amortised cost. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

#### *Financial assets at amortised cost (debt instruments)*

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial instruments* (Continued)

#### *Financial assets* (Continued)

#### *Financial assets at amortised cost (debt instruments)* (Continued)

#### *Amortised cost and effective interest method*

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

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

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

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

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

Interest income is recognised in profit or loss and is included in the "other income" line item (note 8).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial instruments* (Continued)

##### *Financial assets* (Continued)

##### *Impairment of financial assets and lease receivables and contract assets subject to impairment assessment of HKFRS 9*

The Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost, lease receivables and contract assets. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument and contract assets.

The Group always recognises lifetime ECL for trade receivables, lease receivables and contract assets. The ECLs on the trade receivables, lease receivables and contract assets are estimated individually for significant outstanding balances or collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

##### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial instruments* (Continued)

#### *Financial assets* (Continued)

Impairment of financial assets and lease receivables and contract assets subject to impairment assessment of HKFRS 9 (Continued)

*Significant increase in credit risk* (Continued)

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial instruments* (Continued)

#### *Financial assets* (Continued)

Impairment of financial assets and lease receivables and contract assets subject to impairment assessment of HKFRS 9 (Continued)

#### *Definition of default*

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

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

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

#### *Credit-impaired financial assets*

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

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

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 3 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial instruments* (Continued)

##### **Financial assets** (Continued)

Impairment of financial assets and lease receivables and contract assets subject to impairment assessment of HKFRS 9 (Continued)

##### *Measurement and recognition of the ECL*

The measurement of the ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 *Leases*.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 party.

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

##### **Financial liabilities and equity instruments**

##### *Classification as debt or equity*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial instruments* (Continued)

#### **Financial liabilities and equity instruments** (Continued)

##### Equity instruments

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

##### Financial liabilities

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

##### *Financial liabilities subsequently measured at amortised cost*

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

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

##### *Derecognition of financial liabilities*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going 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.

#### *Key sources of estimation uncertainty*

The following 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.

#### **Revenue recognition from construction works**

The Group recognised contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the accumulated actual cost incurred to date over the total budgeted contract cost. Accordingly, revenue recognition from construction works involves a significant degree of management's judgements and estimates, with estimates being made to assess the total budgeted contract cost and stage of completion of the contracts.

During the year ended 31 March 2021, the Group recognised revenue from construction works of approximately HK\$194,450,000 (2020: HK\$118,353,000).

#### **Depreciation of property, plant and equipment**

The Group depreciates the property, plant and equipment over their estimated useful lives, using the straight line method. The estimated useful life reflects the estimates of the periods made by the management of the Group that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. If the future economic benefits from the use of the Group's property, plant and equipment differs from the original estimates, such differences may impact the depreciation for the year and the estimates will be changed in the future period. During the year ended 31 March 2021, the management of the Group determined that there is no revision of useful lives of property, plant and equipment.

As at 31 March 2021, the carrying amount of property, plant and equipment is approximately HK\$149,637,000 (2020: HK\$138,935,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### *Key sources of estimation uncertainty* (Continued)

##### **Impairment assessment of property, plant and equipment**

The management of the Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. If there is indication of possible impairment identified by the management of the Group, the recoverable amount of property, plant and equipment would be determined based on value-in-use calculation. The value-in-use calculation was based on profit forecast and cash flows projection, with the use of estimates on the future profitability from construction works and construction machinery rental.

As at 31 March 2021, the carrying amount of property, plant and equipment is approximately HK\$149,637,000 (2020: HK\$138,935,000). No impairment loss has been recognised for the years ended 31 March 2021 and 2020.

##### **Loss allowance on trade receivables and contract assets**

In assessing the loss allowance made under the ECL model, the management of the Group used judgements and estimates to determine the historical credit loss experience and forward-looking information specific to the debtors and their economic environments.

As at 31 March 2021, the carrying amounts of the trade receivables and contract assets are approximately HK\$149,503,000 (2020: HK\$144,120,000) and HK\$50,267,000 (2020: HK\$39,666,000), net of accumulated loss allowance of approximately HK\$25,364,000 (2020: HK\$17,618,000) and HK\$2,523,000 (2020: HK\$1,157,000), respectively.

Loss allowances on trade receivables and contract assets of approximately HK\$7,746,000 (2020: HK\$10,190,000) and HK\$1,366,000 (2020: HK\$1,060,000) have been recognised during the year ended 31 March 2021, respectively.

Reversal of loss allowance on trade receivables of approximately HK\$6,557,000 (2021: nil) has been recognised during the year ended 31 March 2020.

##### **Income tax**

As disclosed in note 27, no deferred tax asset has been recognised in respect of the estimated unused tax losses of approximately HK\$65,591,000 (2020: HK\$70,883,000) due to the unpredictability of future profit streams. In addition, no deferred tax asset has been recognised during the year ended 31 March 2020 in respect of deductible temporary difference of approximately HK\$491,000 (2021: nil) as it was not probable that taxable profit will be available against which the deductible temporary difference can be utilised. In case where the actual outcome differs from the management's assessment above, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of amount due to a related company in note 24, bank borrowings disclosed in note 25, lease liabilities disclosed in note 26, net of pledged deposits disclosed in note 21, bank balances and cash disclosed in note 22 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure semi-annually. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through issue of new debts or repayment of existing debts, payment of dividends and issuance of new shares.

### 6. FINANCIAL INSTRUMENTS

#### *Categories of financial instruments*

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost (including bank balances and cash)	176,716	168,863
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	116,485	91,227

#### *Financial risk management objectives and policies*

The Group's major financial assets and liabilities include deposits paid for life insurances, trade receivables, deposits and other receivables, pledged deposits, bank balances and cash, trade and other payables, amount due to a related company and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included interest rate risk under market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 6. FINANCIAL INSTRUMENTS (Continued)

#### *Financial risk management objectives and policies* (Continued)

##### **Market risk – interest rate risk**

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

The Group is also exposed to cash flow interest rate risk in relation to bank balances with variable interest rate and bank borrowings with variable interest rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rate on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate and Hong Kong Interbank Offered Rate arising from the Group's Hong Kong dollars denominated bank borrowings.

##### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2020: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2020: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2021 would decrease/increase by approximately HK\$336,000 (2020: post-tax loss with increase/decrease of approximately HK\$216,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank borrowings.

##### **Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 6. FINANCIAL INSTRUMENTS (Continued)

#### *Financial risk management objectives and policies* (Continued)

##### **Credit risk** (Continued)

For trade receivables and contract assets, the management of the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables with significant outstanding balances which are assessed individually, the Group determines the ECL on the remaining balances collectively by using a provision matrix grouped by common risk characteristic. The provision rate applied is estimated using the historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

For deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds, pledged deposits and deposits for life insurances is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 6% (2020: 6%) and 37% (2020: 44%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively within the construction works segment and construction machinery rental segment as at 31 March 2021.

The Group's concentration of credit risk by geographical location is primarily in Hong Kong, which accounted for 100% (2020: 100%) of the total trade receivable as at 31 March 2021.

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

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 6. FINANCIAL INSTRUMENTS (Continued)

#### *Financial risk management objectives and policies* (Continued)

##### **Credit risk** (Continued)

- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

##### The Group's exposure to credit risk

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 6. FINANCIAL INSTRUMENTS (Continued)

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

#### Credit risk (Continued)

#### The Group's exposure to credit risk (Continued)

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

	Note	Internal credit rating	12-month or lifetime ECL	31 March 2021			31 March 2020		
				Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Trade receivables	18	Note	Lifetime ECL (simplified approach)	174,867	(25,364)	149,503	161,738	(17,618)	144,120
Contract assets	19	Note	Lifetime ECL (simplified approach)	52,790	(2,523)	50,267	40,823	(1,157)	39,666
Deposits, other receivables and staff advance	20	Performing	12-month ECL	2,516	–	2,516	1,365	–	1,365
Deposits for life insurances	20	Performing	12-month ECL	3,970	–	3,970	5,925	–	5,925
Pledged deposits	21	Performing	12-month ECL	3,946	–	3,946	3,946	–	3,946
Bank balances and cash	22	Performing	12-month ECL	16,781	–	16,781	13,507	–	13,507

Note: 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 trade receivables with significant outstanding balances and contract assets which are assessed individually, the management of the Group determines the ECL on the remaining balances collectively by using a provision matrix grouped by common risk characteristic. The provision rate applied is estimated using the historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 18 and 19 include further details on the loss allowance for trade receivables and contract assets respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 6. FINANCIAL INSTRUMENTS (Continued)

#### *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 of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank borrowings, lease liabilities and available banking facilities as a significant source of liquidity and the management monitors the utilisation of bank borrowings and lease liabilities and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the end of the reporting period. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of each reporting period.

	As at 31 March 2021				Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
Trade and other payables	75,883	–	–	75,883	75,883
Bank borrowings	40,602	–	–	40,602	40,602
	116,485	–	–	116,485	116,485

In addition, the maturity profile of the Group's lease liabilities is as follows:

Lease liabilities	42,168	18,893	16,916	77,977	73,664
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 6. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk (Continued)

	As at 31 March 2020				Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
Trade and other payables	64,291	–	–	64,291	64,291
Amount due to a related company	260	–	–	260	260
Bank borrowings	26,676	–	–	26,676	26,676
	91,227	–	–	91,227	91,227

In addition, the maturity profile of the Group's lease liabilities is as follows:

Lease liabilities	52,294	23,393	4,007	79,694	73,617
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As at 31 March 2021, bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK\$40,602,000 (2020: HK\$26,676,000). Taking into account the Group's consolidated financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash flows will amount to approximately HK\$42,456,000 (2020: HK\$27,228,000).

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of current and non-current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements are not materially differ from their fair values due to their immediate or short-term maturity or the interest rates used approximates to the discount rates of relevant financial assets or financial liabilities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on construction works and construction machinery rental. An analysis of the Group's revenue for the year is as follows:

	2021 HK\$'000	2020 HK\$'000
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
– Construction works	194,450	118,353
<i>Revenue from other source</i>		
– Construction machinery rental	241,144	193,721
	<b>435,594</b>	312,074

Set out below is the disaggregation of the Group's revenue from contracts with customers by timing of recognition:

	2021 HK\$'000	2020 HK\$'000
<i>Timing of revenue recognition</i>		
– Over time	194,450	118,353

#### **Transaction price allocated to the remaining performance obligations**

As at 31 March 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$148,118,000 (2020: HK\$32,266,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 18 (2020: 18) months.

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

- Construction works; and
- Construction machinery rental

During the year ended 31 March 2021, the directors of the Company decided to terminate the trading of construction machinery business, which represents a separate line of business. As a result, the operating segment of trading of construction machinery has been ceased in this regard.

There were no profit or loss, results, assets and liabilities arising from the discontinued operation during the years ended 31 March 2021 and 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment revenues and results

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

For the year ended 31 March 2021

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	194,450	241,144	435,594
Inter-segment revenue	–	112,396	112,396
Segment revenue	194,450	353,540	547,990
Eliminations			(112,396)
Group's revenue			435,594
Segment (loss) profit	(1,286)	3,018	1,732
Unallocated income			15,984
Unallocated corporate expenses			(10,742)
Unallocated finance costs			(5,322)
Profit before taxation			1,652

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

For the year ended 31 March 2020

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	118,353	193,721	312,074
Inter-segment revenue	–	84,224	84,224
Segment revenue	118,353	277,945	396,298
Eliminations			(84,224)
Group's revenue			312,074
Segment loss	(1,850)	(2,549)	(4,399)
Unallocated income			4,491
Unallocated corporate expenses			(8,210)
Unallocated finance costs			(6,304)
Loss before taxation			(14,422)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of central administration costs, certain directors' salaries, other income and finance costs. This is the measure reported to the chief operating decision maker with respect to the resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates and mutually agreed by both contract parties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities

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

#### Segment assets

	2021 HK\$'000	2020 HK\$'000
Construction works	129,097	117,758
Construction machinery rental	232,975	217,253
Total segment assets	362,072	335,011
Corporate and other assets	27,665	27,777
Total assets	389,737	362,788

#### Segment liabilities

	2021 HK\$'000	2020 HK\$'000
Construction works	67,669	62,671
Construction machinery rental	79,935	73,275
Total segment liabilities	147,604	135,946
Corporate and other liabilities	50,154	38,601
Total liabilities	197,758	174,547

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

- All assets are allocated to operating segments, other than pledged deposits, deposits and prepayments for life insurances, certain other receivables, income tax recoverable and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segment; and
- All liabilities are allocated to operating segments, other than certain other payables, amount due to a related company, bank borrowings, income tax payable and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities (Continued)

In measuring the Group's segment assets and liabilities, property, plant and equipment and lease liabilities of approximately HK\$149,637,000 (2020: HK\$138,935,000) and HK\$73,664,000 (2020: HK\$73,617,000) were allocated to construction works and construction machinery rental segments. However, the relevant gain on disposal of property, plant and equipment and interest on lease liabilities of approximately HK\$1,482,000 (2020: HK\$486,000) and HK\$4,090,000 (2020: HK\$4,966,000) respectively were not included in the measurement of segment results. Should the gain on disposal of property, plant and equipment and interest on lease liabilities be included in the measurement of segment results, the segment loss of construction works would be approximately HK\$2,116,000 (2020: HK\$4,823,000) and segment profit of construction machinery rental would be approximately HK\$1,240,000 (2020: segment loss of approximately HK\$4,056,000) for the year ended 31 March 2021.

#### Other segment information

For the year ended 31 March 2021

	Construction works HK\$'000	Construction machinery rental HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts include in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (note)	22,360	52,581	–	74,941
Deposits paid for acquisition of property, plant and equipment	1,652	3,003	–	4,655
Depreciation of property, plant and equipment	21,665	38,421	–	60,086
Loss allowance on trade receivables	2,265	5,481	–	7,746
Loss allowance on contract assets	1,366	–	–	1,366
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Gain on disposal of property, plant and equipment	–	–	(1,482)	(1,482)
Finance costs	–	–	5,322	5,322
Income tax credit	–	–	(2,086)	(2,086)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (Continued)

#### Other segment information (Continued)

For the year ended 31 March 2020

	Construction works HK\$'000	Construction machinery rental HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts include in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (note)	35,793	58,586	–	94,379
Deposits paid for acquisition of property, plant and equipment	853	1,396	–	2,249
Depreciation of property, plant and equipment	24,475	33,570	–	58,045
Loss allowance on trade receivables	3,865	6,325	–	10,190
Reversal of loss allowance on trade receivables	(2,487)	(4,070)	–	(6,557)
Loss allowance on contract assets	1,060	–	–	1,060
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	–	–	(1)	(1)
Gain on disposal of property, plant and equipment	–	–	(486)	(486)
Finance costs	–	–	6,304	6,304
Income tax expense	–	–	1,196	1,196

Note: Non-current assets excluded deposits paid for acquisition of property, plant and equipment and pledged deposits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (Continued)

#### Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A <sup>1</sup>	86,587	55,004
Customer B <sup>2</sup>	70,940	N/A <sup>5</sup>
Customer C <sup>3</sup>	64,818	36,941
Customer D <sup>4</sup>	N/A <sup>5</sup>	33,887

<sup>1</sup> Revenue from construction works and construction machinery rental segments

<sup>2</sup> Revenue from construction works segment

<sup>3</sup> Revenue from construction machinery rental segment

<sup>4</sup> Revenue from construction works segment

<sup>5</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group

#### Geographical information

During the year ended 31 March 2021, the Group is organised into two operating segments as construction works and construction machinery rental (2020: three operating segments as construction works, construction machinery rental and trading of construction machinery) primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these segments. Accordingly, no geographical information is presented.

### 8. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000 (Restated)
Government grants (note)	13,009	–
Sales of scrap materials	210	1,391
Insurance claims	414	995
Auxiliary and other service income	869	1,618
Gain on disposal of property, plant and equipment	1,482	486
Bank interest income	–	1
	<b>15,984</b>	<b>4,491</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 8. OTHER INCOME (Continued)

Note: During the year ended 31 March 2021, the Group received the following government grants:

- (i) government grants in respect of the Employment Support Scheme from the Hong Kong Special Administrative Region Government (the "HKSAR Government") with amount of approximately HK\$11,969,000 (2020: nil) recognised; and
- (ii) government grants in respect of transport trades under Anti-epidemic Fund from the HKSAR Government to licensed motor vehicles registered owners with amount of HK\$1,040,000 (2020: nil) recognised.

Government grants has been recognised as other income either (i) on a systematic basis over the periods in which the Group recognises the staff costs for which the government grants are intended to compensate; or (ii) upon receipts for grants with no unfulfilled conditions or contingencies. There are no unfulfilled conditions and other contingencies attached to the receipts of those grants.

### 9. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on:		
– bank borrowings	1,232	1,338
– lease liabilities	4,090	4,966
	<b>5,322</b>	<b>6,304</b>

### 10. INCOME TAX (CREDIT) EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax:		
– Hong Kong Profits Tax	46	–
Over-provision in prior years:		
– Hong Kong Profits Tax	–	(1,114)
Deferred taxation (note 27)	(2,132)	2,310
Income tax (credit) expense	<b>(2,086)</b>	<b>1,196</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 10. INCOME TAX (CREDIT) EXPENSE (Continued)

Notes:

- (a) Pursuant to rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 March 2021 and 2020, Hong Kong profits tax of the qualified entities of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made during the year ended 31 March 2020 as there were no assessable profits generated.

The income tax (credit) expense can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK\$'000	2020 HK\$'000
Profit (loss) before taxation	1,652	(14,422)
Tax calculated at the domestic income tax rate of 16.5% (2020: 16.5%)	272	(2,380)
Tax effect of expenses not deductible for tax purpose	809	489
Tax effect of income not taxable for tax purpose	(2,147)	–
Tax effect of tax losses not recognised	44	4,164
Tax effect of utilisation of tax losses previously not recognised	(917)	–
Tax effect of deductible temporary difference not recognised	–	51
Tax effect of utilisation of deductible temporary difference previously not recognised	(81)	–
Effect of two-tiered profits tax rates regime	(56)	(8)
Effect of tax exemption granted (note)	(10)	(6)
Over-provision in prior years	–	(1,114)
Income tax (credit) expense	(2,086)	1,196

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2020/2021 to a ceiling of HK\$10,000 (2020: year of assessment 2019/2020 to a ceiling of HK\$20,000) for each entity respectively.

Details of the deferred taxation are set out in note 27.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 11. PROFIT (LOSS) BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Directors' emoluments (note 12)	4,361	4,316
Other staff:		
– Salaries, wages and other benefits	140,338	108,460
– Retirement benefits scheme contributions	4,960	3,874
Total staff costs	149,659	116,650
Auditor's remuneration	894	894
Depreciation of property, plant and equipment	60,086	58,045
Exchange loss	–	15

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 12. DIRECTORS' EMOLUMENTS

The emoluments paid to each of the 5 (2020: 5) directors were as follows:

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director:				
Year ended 31 March 2021				
<i>Executive directors</i>				
Mr. Wu (note)	–	3,575	18	3,593
Mr. Chan Tak Ming (note)	–	390	18	408
<i>Independent non-executive directors</i>				
Mr. Lee Man Tai	120	–	–	120
Mr. Leung Ka Fai	120	–	–	120
Mr. Wong Yiu Kit, Ernest	120	–	–	120
	<b>360</b>	<b>3,965</b>	<b>36</b>	<b>4,361</b>
Year ended 31 March 2020				
<i>Executive directors</i>				
Mr. Wu (note)	–	3,575	18	3,593
Mr. Chan Tak Ming (note)	–	390	18	408
<i>Independent non-executive directors</i>				
Mr. Lee Man Tai	105	–	–	105
Mr. Leung Ka Fai	105	–	–	105
Mr. Wong Yiu Kit, Ernest	105	–	–	105
	<b>315</b>	<b>3,965</b>	<b>36</b>	<b>4,316</b>

Note: The emoluments paid to executive directors of the Company include emoluments paid to them in respect of their other services in connection with the management of the affairs of the Company and its subsidiaries undertakings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 12. DIRECTORS' EMOLUMENTS (Continued)

No chief executive was appointed during the years ended 31 March 2021 and 2020.

The directors of the Company did not waive or agree to waive any emoluments paid by the Group during the years ended 31 March 2021 and 2020. No emoluments were paid by the Group to the directors of the Company as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2021 and 2020.

### 13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments, one (2020: one) was director of the Company whose emoluments are set out in note 12. The emoluments of the remaining four (2020: four) highest paid individuals were as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and other benefits	4,468	5,120
Retirement benefits scheme contributions	72	72
	<b>4,540</b>	5,192

Their emoluments were within the following bands:

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

No emoluments were paid by the Group to the five highest paid individuals as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2021 and 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 14. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

### 15. RETIREMENT BENEFITS SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (2020: 5%) of relevant payroll costs, capped at HK\$1,500 (2020: HK\$1,500) per month, to the MPF Scheme, in which the contribution is matched by employees.

During the year ended 31 March 2021, the amount charged to consolidated statement of profit or loss and other comprehensive income of approximately HK\$4,996,000 (2020: HK\$3,910,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period. There were no forfeited contributions utilised during the years ended 31 March 2021 and 2020 to reduce future contributions.

### 16. EARNINGS (LOSS) PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
<b>Earnings (loss)</b>		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share, representing profit (loss) for the year attributable to owners of the Company	3,738	(15,598)
	2021	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share ('000 shares)	1,037,500	1,037,500

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2021 and 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 17. PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in leasehold land and building HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Leasehold improvement HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
<b>COST</b>							
At 1 April 2019	9,686	46,096	135,247	285	813	163,998	356,125
Additions	–	1,849	43,239	6	–	49,285	94,379
Disposals	–	(132)	(18,590)	–	–	–	(18,722)
At 31 March 2020 and 1 April 2020	9,686	47,813	159,896	291	813	213,283	431,782
Additions	–	8,662	22,051	71	76	44,081	74,941
Transfer in (out)	–	27,998	59,409	–	–	(87,407)	–
Derecognition	–	–	–	–	–	(1,380)	(1,380)
Disposals	–	(12,248)	(36,739)	–	–	–	(48,987)
At 31 March 2021	9,686	72,225	204,617	362	889	168,577	456,356
<b>ACCUMULATED DEPRECIATION</b>							
At 1 April 2019	839	44,815	98,504	158	787	102,271	247,374
Charge for the year	387	569	20,334	49	26	36,680	58,045
Eliminated on disposals	–	(50)	(12,522)	–	–	–	(12,572)
At 31 March 2020 and 1 April 2020	1,226	45,334	106,316	207	813	138,951	292,847
Charge for the year	388	2,262	25,344	45	16	32,031	60,086
Transfer in (out)	–	27,402	55,151	–	–	(82,553)	–
Derecognition	–	–	–	–	–	(1,380)	(1,380)
Eliminated on disposals	–	(12,188)	(32,646)	–	–	–	(44,834)
At 31 March 2021	1,614	62,810	154,165	252	829	87,049	306,719
<b>CARRYING VALUES</b>							
At 31 March 2021	8,072	9,415	50,452	110	60	81,528	149,637
At 31 March 2020	8,460	2,479	53,580	84	–	74,332	138,935

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Ownership interest in leasehold land and building	Over the shorter of the term of the lease, or 25 years
Motor vehicles	4 years
Machinery	4 years
Furniture and equipment	5 years
Leasehold improvement	2 years
Right-of-use assets	
– Leasehold land	Over the shorter of the term of the lease, or 25 years
– Building	Over the shorter of the term of the lease, or 25 years
– Motor vehicles	4 years
– Machinery	4 years

At 31 March 2021, the Group's ownership interest in leasehold land and building with carrying value of approximately HK\$8,072,000 (2020: HK\$8,460,000) have been pledged to secure banking facilities granted to the Group.

Right-of-use assets included in the above comprise of:

	2021 HK\$'000	2020 HK\$'000
Leasehold land	11,383	–
Building	–	197
Motor vehicles	21,298	23,479
Machinery	48,847	50,656
	<b>81,528</b>	<b>74,332</b>

The Group has lease arrangements for leasehold land located in Hong Kong, building, motor vehicles and machinery during the years ended 31 March 2021 and 2020. The lease terms are generally ranged from 1.5 to 5 years (2020: 1.5 to 4 years).

In respect of lease arrangements for renting motor vehicles and machinery, the Group's obligations are secured by the lessors' title to the leased assets for such leases.

Additions to the right-of-use assets for the year ended 31 March 2021 amounted to approximately HK\$44,081,000 (2020: HK\$49,285,000), due to new leases of leasehold land located in Hong Kong, motor vehicles and machinery.

During the year ended 31 March 2021, the Group transferred the right-of-use assets with carrying amount of approximately HK\$4,854,000 (2020: nil) to motor vehicles and machinery under property, plant and equipment upon full repayment of respective lease liabilities.

During the year ended 31 March 2021, the cost and the accumulated depreciation of approximately HK\$1,380,000 (2020: nil) has been derecognised due to the expiry of the lease in respect of building classified as right-to-use assets. No gain or loss was recognised during the year ended 31 March 2021 (2020: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 18. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables, at amortised cost	174,867	161,738
Less: loss allowance on trade receivables	(25,364)	(17,618)
	<b>149,503</b>	144,120

As at 31 March 2021, the gross amount of trade receivables arising from contracts with customers in respect of construction works amounted to approximately HK\$22,423,000 (2020: HK\$17,844,000).

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the contract, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Group. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

	2021 HK\$'000	2020 HK\$'000
Within 30 days	34,408	25,204
31 to 60 days	44,734	31,109
61 to 90 days	17,943	1,884
91 to 180 days	8,989	23,279
181 to 365 days	19,452	17,601
Over 365 days	23,977	45,043
	<b>149,503</b>	144,120

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated individually for significant outstanding balances or collectively using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 18. TRADE RECEIVABLES (Continued)

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on collectively basis or on individually basis for significant outstanding balances as follows:

	Weighted average expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
<b>For the year ended 31 March 2021</b>			
On collectively basis:			
– Not yet due	0%	38,102	–
– Past due 1–90 days	0%	59,710	–
– Past due 91–180 days	2.8%	8,096	229
– Past due 181–365 days	4.0%	4,132	166
– Past due 1–2 years	66.0%	2,389	1,576
– Past due over 2 years	100%	6,821	6,821
		119,250	8,792
On individually basis	8.8%–100%	55,617	16,572
		174,867	25,364

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 18. TRADE RECEIVABLES (Continued)

	Weighted average expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
For the year ended 31 March 2020			
On collectively basis:			
– Not yet due	0%	27,031	–
– Past due 1–90 days	0%	45,289	–
– Past due 91–180 days	1.1%	7,820	87
– Past due 181–365 days	3.7%	2,707	99
– Past due 1–2 years	30.6%	4,748	1,452
– Past due over 2 years	100%	4,390	4,390
		91,985	6,028
On individually basis	5.6%–47.9%	69,753	11,590
		161,738	17,618

The movement in the loss allowance on trade receivables falls within lifetime ECL – credit impaired is set out below:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	17,618	18,452
Loss allowance recognised on trade receivables	7,746	10,190
Amounts recovered during the year	–	(6,557)
Amounts written off as uncollectible	–	(4,467)
At the end of the year	25,364	17,618

The following significant changes in the gross carrying amount of trade receivables mainly contributed to the increase in the loss allowance during the year ended 31 March 2021:

- increase in days past due over 2 years resulted in an increase in loss allowance of approximately HK\$2,431,000 for the year ended 31 March 2021; and
- increase in weighted average expected loss rate on the individual significant customers resulted in an increase in loss allowance of approximately HK\$4,982,000 for the year ended 31 March 2021.

As at 31 March 2020, the Group has written off trade receivables when there was information indicating that the debtor was in severe financial difficulty and there was no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or when the amounts are over 3 years past due. The Group has taken legal action against the debtors to recover the amount due.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 19. CONTRACT ASSETS

	2021 HK\$'000	2020 HK\$'000
Unbilled revenue of construction contracts (note (i))	22,767	19,642
Retention receivables of construction contracts (note (ii))	30,023	21,181
	52,790	40,823
Less: loss allowance on contract assets	(2,523)	(1,157)
	50,267	39,666

Notes:

- (i) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (ii) Retention receivables included in contract assets represents the Group's right to 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 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 Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL. The ECL on contract assets are estimated on individually basis by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group recognised lifetime ECL for contract assets on individually basis as follows:

	Weighted average expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
<b>For the year ended 31 March 2021</b>			
On individually basis	4.8%	52,790	2,523
<b>For the year ended 31 March 2020</b>			
On individually basis	2.8%	40,823	1,157

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 19. CONTRACT ASSETS (Continued)

The movement in the loss allowance on contract assets falls within lifetime ECL – credit impaired is set out below:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	1,157	97
Loss allowance recognised on contract assets	1,366	1,060
At the end of the year	2,523	1,157

### 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Deposits (note (a))	1,415	1,189
Other receivables (notes (a) and (c))	1,004	–
Staff advance (note (a))	97	176
Prepayments	5,718	8,894
Deposits and prepayments for life insurances (notes (a) and (b))	6,714	10,076
	14,948	20,335

Notes:

- (a) The Group measures the loss allowance for deposits, other receivables, staff advance and deposits for life insurances at an amount equal to 12-month ECL. The Group recognised 12-month ECL for such balances based on the internal credit rating of receivables. As at 31 March 2021 and 2020, the management of the Group estimates the 12-month ECL on such balances was insignificant.
- (b) On 27 January 2015, 15 February 2015 and 9 January 2017, Luen Yau Construction, the wholly-owned subsidiary of the Company, entered into life insurance policies with insurance companies in which Mr. Wu, the executive director of the Company, was the insured person while Luen Yau Construction was the owner of the life insurance policies. The Company paid an upfront payment with aggregate amount of approximately HK\$9,651,000, for the policies. The balance has been classified under current assets as the Group may request a partial surrender or full surrender of the life insurance policies at any time and receive cash back based on the value set out in the life insurance policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged and surrender charge (the "Cash Value").

The prepayments of life insurance are amortised to profit or loss over the insured periods and the deposits placed are carried at amortised cost using the effective interest method. The deposits paid for the life insurance policies carry guaranteed interests at interest rate of 3.65% (2020: ranged from 3.65% to 3.9%) plus a premium determined by the insurance company during the period of the life insurance policies. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the life insurance policies, excluding the financial effect of surrender charge.

During the year ended 31 March 2021, one of the life insurance has been early surrendered by the application of the Group, while the Cash Value of approximately HK\$3,269,000 (2020: nil) has been received by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

The carrying value of deposits and prepayments for life insurance policies at the end of each reporting period are set out below:

	2021 HK\$'000	2020 HK\$'000
Deposits	3,970	5,925
Prepayments	2,744	4,151
	<b>6,714</b>	10,076

(c) Other receivable represented the certain deposit paid for the acquisition of property, plant and equipment being refunded as agreed by the supplier during the year ended 31 March 2021, which has been subsequently received up to the date of the report.

### 21. PLEDGED DEPOSITS

As at 31 March 2021, pledged deposits with aggregate amount of approximately HK\$3,946,000 (2020: HK\$3,946,000) represented the deposits pledged to secure the lease liabilities which (i) amount of approximately HK\$1,789,000 will be matured in August 2022 and classified as non-current assets (2020: HK\$3,946,000); and (ii) amount of HK\$2,157,000 will be matured in March 2022 and classified as current assets (2020: nil).

### 22. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rates during the years ended 31 March 2021 and 2020.

### 23. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	38,032	32,146
Other payables	17,393	16,693
Accruals	20,458	15,452
	<b>75,883</b>	64,291

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 23. TRADE AND OTHER PAYABLES (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Within 30 days	10,489	10,440
31 to 60 days	11,012	12,526
61 to 90 days	4,451	419
91 to 365 days	10,287	8,761
Over 365 days	1,793	–
	<b>38,032</b>	<b>32,146</b>

The average credit period granted is 30 (2020: 30) days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

### 24. AMOUNT DUE TO A RELATED COMPANY

Details of amount due to a related company were as follows:

	2021 HK\$'000	2020 HK\$'000
Luen Yau Construction Company (note)	–	260

Note: The director of the Company, Mr. Wu, has direct or indirect interest in Luen Yau Construction Company.

As at 31 March 2020, the amount was unsecured, non-interest bearing and repayable on demand. Such amount has been fully settled during the year ended 31 March 2021.

### 25. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Secured	4,182	5,040
Unsecured	36,420	21,636
	<b>40,602</b>	<b>26,676</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 25. BANK BORROWINGS (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Within one year	27,516	22,702
After one year but within two years	2,588	2,156
After two years but within five years	6,848	1,057
After five years	3,650	761
	<b>40,602</b>	26,676
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	13,086	3,974
Carrying amount repayable within one year and contains a repayment on demand clause	27,516	22,702
	<b>40,602</b>	26,676
Amount shown under current liabilities	<b>(40,602)</b>	(26,676)
Amount shown under non-current liabilities	–	–

- (a) The bank borrowings were denominated in HK\$ as at 31 March 2021 and 2020.
- (b) As at 31 March 2021, bank borrowings carried interest at effective interest rates ranging from 2% to 3.75% per annum (2020: from 2% to 5.75% per annum).
- (c) During the year ended 31 March 2021, the Group obtained new bank borrowings of approximately HK\$89,982,000 (2020: HK\$77,743,000) for Group's working capital purpose and repaid bank borrowings of approximately HK\$76,056,000 (2020: HK\$82,755,000).
- (d) As at 31 March 2021, secured bank borrowings consisted of (i) bank borrowing of approximately HK\$2,239,000 (2020: HK\$2,585,000) secured by a mortgage charged over the Group's ownership interest in leasehold land and building with carrying value of HK\$8,072,000 (2020: HK\$8,460,000); and (ii) bank borrowings of approximately HK\$1,943,000 (2020: HK\$2,455,000) secured by the deposits and prepayments for life insurances of approximately HK\$6,714,000 (2020: HK\$10,076,000).
- (e) As at 31 March 2021, unsecured bank borrowings was guaranteed by (i) the Company; (ii) Mr. Wu, the executive director of the Company; and (iii) HKMC Insurance Limited, a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited, which provided guarantees under the SME Financing Guarantee Scheme.
- (f) As at 31 March 2020, unsecured bank borrowings were guaranteed by the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 25. BANK BORROWINGS (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Facility amount	60,849	52,506
Utilisations		
– Bank borrowings	40,602	26,676
Unutilised facility amount	20,247	25,830

### 26. LEASE LIABILITIES

#### (a) Lease liabilities

	2021 HK\$'000	2020 HK\$'000
Analysed for reporting purposes as:		
Current	39,389	47,026
Non-current	34,275	26,591
	73,664	73,617
	2021 HK\$'000	2020 HK\$'000
Amounts payable under lease liabilities		
Within one year	39,389	47,026
After one year but within two years	17,980	22,677
After two years but within five years	16,295	3,914
	73,664	73,617
Less: amount due for settlement within 12 months (shown under current liabilities)	(39,389)	(47,026)
Amount due for settlement after 12 months	34,275	26,591

As at 31 March 2021, the lease liabilities in respect of leased motor vehicles and machinery under hire purchase agreements amounted to approximately HK\$62,198,000 (2020: HK\$73,418,000) were secured by the lessor's title to the leased assets and the pledged deposits (note 21).

During the year ended 31 March 2021, the Group entered into a number of new lease agreements in respect of leasehold land, motor vehicles and machinery and recognised lease liabilities of approximately HK\$44,081,000 (2020: HK\$49,285,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 26. LEASE LIABILITIES (Continued)

#### (b) Amounts recognised in profit or loss

	2021 HK\$'000	2020 HK\$'000
Depreciation expense on right-of-use assets included in property, plant and equipment:		
– Leasehold land	813	–
– Building	197	1,183
– Motor vehicles	12,200	16,866
– Machinery	18,821	18,631
Interest expense on lease liabilities	4,090	4,966
Expense relating to short-term leases	–	560

During the year ended 31 March 2021, the total cash outflows for leases amounting to approximately HK\$48,124,000 (2020: HK\$55,693,000).

### 27. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Loss Allowances on trade receivables and contract assets HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 April 2019	3,061	(10,454)	(7,393)
Credited (charged) to profit or loss	37	(2,347)	(2,310)
At 31 March 2020 and 1 April 2020	<b>3,098</b>	<b>(12,801)</b>	<b>(9,703)</b>
Credited to profit or loss	<b>1,504</b>	<b>628</b>	<b>2,132</b>
At 31 March 2021	<b>4,602</b>	<b>(12,173)</b>	<b>(7,571)</b>

As at 31 March 2021, the Group has estimated unused tax losses of approximately HK\$65,591,000 (2020: HK\$70,883,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such estimated unused tax losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

As at 31 March 2020, the Group had deductible temporary difference of approximately HK\$491,000 (2021: nil). No deferred tax asset has been recognised in respect of such deductible temporary difference as it was not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 28. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary share of HK\$0.01 each		
<i>Authorised</i>		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000,000	100,000
<i>Issued and fully paid</i>		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,037,500,000	10,375

### 29. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure the banking facilities, bank borrowings and lease liabilities granted to the Group:

	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment	78,217	82,595
Deposits and prepayments for life insurances	6,714	10,076
Pledged deposits	3,946	3,946
	<b>88,877</b>	96,617

### 30. CONTINGENT LIABILITIES

As at 31 March 2020, one of the subsidiaries of the Company has been named as defendant in one High Court actions in respect of claims for compensation of personal injury for an amount of approximately HK\$4,514,000 (the "Court Case"). The directors of the Company considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements for the year ended 31 March 2020.

During the year ended 31 March 2021, consent order has been issued by the High Court for the Court Case and a final amount of HK\$990,000 was required to be paid by the subsidiary of the Company and the joint defendant. Such amount of HK\$990,000 has been fully paid and covered by the insurance policy of the Group as at 31 March 2021. No additional potential liability was being made in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 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 15 November 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7 December 2026. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 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 tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme and during the years ended 31 March 2021 and 2020.

### 32. RELATED PARTY TRANSACTIONS

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

Name of company	Nature of transaction	Notes	2021	2020
			HK\$'000	HK\$'000
Honrich Limited	Rental expenses for staff quarters	(i) & (ii)	–	560

Notes:

- (i) The transaction was carried out at terms determined and agreed by the Company and the related party.
- (ii) The director of the Company, Mr. Wu, has direct or indirect interest in the above-mentioned related party.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 32. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Balances with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Company has no other material balances with related parties.

#### (c) Compensation of key management personnel

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

	2021 HK\$'000	2020 HK\$'000
Short-term benefits	7,545	8,285
Post-employment benefits	90	90
	<b>7,635</b>	<b>8,375</b>

The remuneration of the directors of the Company and other members of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trend.

#### (d) Guarantee provided by a related party

	2021 HK\$'000	2020 HK\$'000
Mr. Wu	18,000	–

During the year ended 31 March 2021, the Group obtained a new banking facility with total facility amount of approximately HK\$18,000,000 (2020: nil), in which Mr. Wu, the executive director of the Company and the ultimate beneficial owner of the Company, has provided guarantee for this banking facility.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 33. 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 change. 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.

	Accrued interest HK\$'000	Amount due to a related company HK\$'000 (note 24)	Bank borrowings HK\$'000 (note 25)	Lease liabilities HK\$'000 (note 26)	Total HK\$'000
At 1 April 2019	–	–	31,688	74,499	106,187
Financing cash flows:					
– Additions	–	260	77,743	–	78,003
– Repayments	(6,304)	–	(82,755)	(50,167)	(139,226)
Non-cash changes:					
– Interest recognised	6,304	–	–	–	6,304
– New leases arrangement	–	–	–	49,285	49,285
At 31 March 2020 and 1 April 2020	–	260	26,676	73,617	100,553
Financing cash flows:					
– Addition	–	–	89,982	–	89,982
– Repayments	(5,322)	(260)	(76,056)	(44,034)	(125,672)
Non-cash changes:					
– Interest recognised	5,322	–	–	–	5,322
– New leases arrangement	–	–	–	44,081	44,081
At 31 March 2021	–	–	40,602	73,664	114,266

### 34. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2021, the Group entered into new lease arrangements in respect of leasehold land, motor vehicles and machinery with a total capital value at the inception of the leases of approximately HK\$44,081,000 (2020: HK\$49,285,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current asset			
Investments in subsidiaries		106,532	106,532
Current assets			
Deposits, prepayments and other receivables		169	164
Amounts due from subsidiaries	(a)	86,124	89,402
Bank balances and cash		126	131
		86,419	89,697
Current liabilities			
Other payables		1,943	1,962
Amount due to a subsidiary	(a)	3,797	3,797
		5,740	5,759
Net current assets		80,679	83,938
Net assets		187,211	190,470
Capital and reserves			
Share capital		10,375	10,375
Reserves	(b)	176,836	180,095
Total equity		187,211	190,470

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

- (a) The amounts are unsecured, non-interest bearing and repayable on demand.  
 (b) Movements in reserves

	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019	109,078	106,532	(26,040)	189,570
Loss and total comprehensive expense for the year	–	–	(9,475)	(9,475)
At 31 March 2020 and 1 April 2020	<b>109,078</b>	<b>106,532</b>	<b>(35,515)</b>	<b>180,095</b>
Loss and total comprehensive expense for the year	–	–	<b>(3,259)</b>	<b>(3,259)</b>
At 31 March 2021	<b>109,078</b>	<b>106,532</b>	<b>(38,774)</b>	<b>176,836</b>

Note: Other reserve represents the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company upon the reorganisation on 13 May 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
			Direct		Indirect		
			2021	2020	2021	2020	
Neotime Global Limited	BVI	United States dollar ("US\$") 1	100%	100%	–	–	Investment holding
Lufa Global Investments Limited	BVI	US\$1	100%	100%	–	–	Investment holding
Luen Yau Holdings Limited	BVI	US\$100	100%	100%	–	–	Investment holding
Luen Yau Construction	Hong Kong	HK\$1	–	–	100%	100%	Construction works and construction machinery rental services
Luen Yau Machinery Construction Company Limited	Hong Kong	HK\$1	–	–	100%	100%	Construction machinery rental services
Luen Yau Management Services Limited	Hong Kong	HK\$1	–	–	100%	100%	Provision of management services to fellow subsidiaries
Luen Yau Management Company Limited	BVI	US\$1	–	–	100%	100%	Inactive
Full King (International) Aluminum System Formwork Technology Limited	Hong Kong	HK\$10,000	–	–	51%	51%	Inactive

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

### 37. COMPARATIVE FIGURES

The comparative figures of other income of approximately HK\$6,557,000 for the year ended 31 March 2020 were classified to reversal of loss allowance on trade receivables to conform with the current year's presentation of the consolidated financial statements.

The comparative figures of administrative expenses of approximately HK\$10,190,000 and HK\$1,060,000 for the year ended 31 March 2020 were classified to loss allowance on trade receivables and contract assets respectively to conform with the current year's presentation of the consolidated financial statements.

The reclassifications have no material impact on the Group's total equity as at 31 March 2020 or the Group's profit or loss for the year ended 31 March 2020.



## FINANCIAL SUMMARY

	<b>For the year ended 31 March</b>				
	<b>2021</b> HK\$'000	2020 HK\$'000 (Restated)	2019 HK\$'000 (Note)	2018 HK\$'000 (Note)	2017 HK\$'000 (Note)
<b>Revenue and Profit (Loss)</b>					
Revenue	<b>435,594</b>	312,074	221,338	381,816	484,479
Cost of sales	<b>(413,677)</b>	(298,739)	(240,653)	(345,198)	(416,736)
Gross profit (loss)	<b>21,917</b>	13,335	(19,315)	36,618	67,743
Other income	<b>15,984</b>	4,491	7,769	8,176	5,954
Reversal of loss allowance on trade receivables	–	6,557	–	–	–
Administrative expenses	<b>(21,815)</b>	(21,251)	(27,914)	(30,300)	(34,763)
Loss allowance on trade receivables	<b>(7,746)</b>	(10,190)	–	–	–
Loss allowance on contract assets	<b>(1,366)</b>	(1,060)	–	–	–
Finance costs	<b>(5,322)</b>	(6,304)	(5,265)	(6,533)	(7,163)
Profit (loss) before taxation	<b>1,652</b>	(14,422)	(44,725)	7,961	31,771
Income tax credit (expense)	<b>2,086</b>	(1,196)	(774)	(2,248)	(7,841)
Profit (loss) and total comprehensive income (expense) for the year	<b>3,738</b>	(15,618)	(45,499)	5,713	23,930
Profit (loss) and total comprehensive income (expense) for the year attributable to the owners of the Company	<b>3,738</b>	(15,598)	(45,499)	5,713	23,930
Loss and total comprehensive expense for the year attributable to non-controlling interest	–	(20)	–	–	–
	<b>3,738</b>	(15,618)	(45,499)	5,713	23,930
Earnings (loss) per share (HK\$)					
Basic and diluted	<b>0.36 cent</b>	(1.50 cents)	(4.39 cents)	0.55 cent	2.69 cents

	<b>As at 31 March</b>				
	<b>2021</b> HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Assets and Liabilities</b>					
Current assets	<b>233,656</b>	217,658	237,708	327,925	347,358
Non-current assets	<b>156,081</b>	145,130	113,566	113,923	150,811
Current liabilities	<b>(155,912)</b>	(138,253)	(102,110)	(130,292)	(179,628)
Non-current liabilities	<b>(41,846)</b>	(36,294)	(45,309)	(59,094)	(71,792)
Total equity	<b>191,979</b>	188,241	203,855	252,462	246,749

Note: The financial figures were extracted from the annual reports of respective year. No separate disclosure on reversal of impairment loss on trade receivables included in other income and impairment loss on trade receivables and contract assets included in administrative expenses were made.